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Vol. V

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1940

No. 330

OPP COTTON MILLS, INC., ET AL., PETITIONERS,

vs.

ADMINISTRATOR OF THE WAGE AND HOUR DIVISION OF THE DEPARTMENT OF LABOR

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH CIRCUIT

PETITION FOR CERTIORARI FILED AUGUST 13, 1940.

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TESTIMONY

Volume V

Pages 1381-1713

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1940

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OPP COTTON MILLS, INC.,
Petitioner,

versus

ADMINISTRATOR OF THE WAGE AND HOUR DIVISION OF THE DEPARTMENT OF LABOR,
Respondent.

Petition for Writ of Certiorari to the United States Circuit Court of Appeals for the Fifth Circuit

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TESTIMONY OF J. F. AMES—(2448)

Said witness testified that he lived in Selma, Ala., and operated The Selma Manufacturing Company, and that he had been in the cotton bag manufacturing business, and cotton mill business, for 53 years.

He further testified as follows:

There are just two particular points that I want to bring out in this statement. One is that the Cotton Mill Industry is not in a position to stand any increase in the cost of its products, and the other is the great disaster that will overtake the small mills in the event of the proposed rate of 32½ cents an hour going through.

In discussing the matter of the change in the textile rate from 25 cents per hour minimum to 32½ cents per hour minimum, regardless of location, condition of mill machinery, size of mill, freight handicap and various other items which enter into operating cost, it seems pertinent to determine first what has been accomplished during the past year in the way of profitable or unprofitable cotton mill operation.

Attached is a detailed statement of the operations of a mill for five months on 2.55 yard and 2.85 yard sheeting; also sewing twine. This shows an operating loss, on the basis of 30 cents per hour minimum, not including depreciation, of $14,151.96 for the five months, (2450) or an approximate average loss of 1.21 cents per pound on the total production.

On the basis of the 25 cents per hour minimum, the operating loss, as shown by the statement, would be 2.65 cents per pound. At 30 cents per hour minimum, the operating loss would be 3.68 cents per pound; and at 32½ cents per hour minimum, 4.19 cents per pound.

Manifestly, this mill was compelled to cease operations (2451) when it did, in May, 1938, and since the situation constantly grew worse and is very much worse at the present time, unless some relief of some kind is given, it will be impossible to operate it and provide employment for some 250 or 300 people.

With the world production of rayon in 1938 at 19,000,000,000 pounds, equivalent to 3,800,000 bales of cotton; with the consumption of paper in the United States equal to 37,000 tons per day of domestic products and 7,000 tons of imported products, the domestic products being equivalent to 44,000,000 bales of cotton annually; with the huge operating losses of the mills at the present time, there appears no justification, whatever, in increasing the labor cost of cot-

ton cloth. Any increase of this cloth invites the use of rayon at one end and the substitution of paper and jute at the other end.

What is absolutely essential if the textile industry is to be maintained is not only cheap and low priced cotton, but low priced labor costs as well.

At the rate of substitution of synthetic fibers for cotton at the top, and substitution of paper and jute at the bottom, with foreign cotton growers supplanting American cotton in the foreign markets, the day is not far distant when 6,000,000 to 7,000,000 bales of American cotton will supply the entire domestic and export demand. (2452) Only low priced cotton and low cost production will save the cotton industry from ultimate disaster.

The substitution of paper for cotton products is well nigh unbelievable. In the matter of bags, 9,000,000,000 paper bags were produced in 1900, 30,000,000,000 in 1930 and 50,000,000,000 in 1937.

The production of kraft paper in the United States, from 171,000 tons in 1916, was increased to 1,952,000 tons in 1936, equivalent to 7,808,000 bales of cotton.

Container board paper increased from 9.8 pounds per capita in 1899 to 73 pounds per capita in 1935, equivalent to 18,618,000 bales of cotton as compared with the average consumption of cotton in the United States, for the past fifteen years, of only 6,100,000 bales annually. . . . (2453)

Of the 984 total cotton textile units in the United States, 280 are less than 10,000 spindles, averaging 5,479; 277 are less than 20,000 spindles, averaging 14,200, making a total of 557 mills in the small unit class out of the total 984 mills.

The mills in this class cannot possibly compete with the larger, better equipped, better financed and modernized larger units, and unless the law is definitely determined to close out these smaller units and provide a condition which is confiscatory of the capital invested in them, some working differential must be established to enable them to continue in existence. It is inconceivable that under the Constitution of the United States any law which would produce such an ultimate result (2454) could be constitutional, because of its manifest injustice and unfairness. . . . (2458)

Small mills, within the last fifty years or more, have been established primarily in the South, for several very distinct reasons. In the first instance, they were largely financed by local capital, which meant, necessarily, capital in small amounts for the establishment of a small mill. Small towns throughout the South had idle people. To give them work, a mill was considered, since this was the only industry possible for such a purpose.

The farmers wanted a local market for their cotton. It was well known and apparent at the start that a small mill would be handicapped in the cost of production as compared with a large, well established mill, but because of reduced living expenses in the small town, and because of the urgent necessity of some kind of employment at any rate, it was fully expected the handicap of size would be met by reduced wage rates, and this very shortly became an established fact.

It has been under this condition of affairs that the small mills have been operated up to the present date, and they cannot continue to operate unless some provision is made to relieve them of the natural handicap of size and character of machinery.

These small units are absolutely essential to the well-being of the small communities where they are located. Having been established under the conditions reviewed (2459) and money invested in small amounts, it is now proposed, by unjust discrimination in the matter of wage rates, to undo the definite idea under which these mills were established and provide a condition which deprives these small units of any value they might possess. The machinery will be sold, for junk, and the mill buildings are worthless for any industrial purpose, whatsoever. . . .

TESTIMONY OF C. W. MIZELL—(2658)

Said witness testified that he was President of Opp Cotton Mills and Micolas Cotton Mills, both of Opp, Alabama, which mills were engaged in the manufacture of coarse sheetings and some drills, his testimony being as follows: . . .

I am President of the Opp Cotton Mills, a coarse goods sheeting mill of 16,240 spindles and 455 looms (2660) built in 1921, and also President of the Micolas Cotton Mills, a mill of 10,904 spindles and 320 looms, built in 1924.

Our two mills have been considered very modern and practically all profits have been plowed back into the mills in improvements, said mills now having high speed winders and warpers, long draft spinning, long draft slubbing and single process picking. Each mill has spent from $30,000.00 to $50,000.00 each year in modernizing the plants to meet competition, however, our operations under the present Wage Law forcing a 25 cent minimum in wages have been unprofitable since the inauguration of said Act, for reasons that will be outlined below:

The Opp Cotton Mills' operations from December 26, 1938, to June 10, 1939, show a net loss of $16,485.32, and the Micolas Cotton Mills operations from December 19, 1938, to June 17, 1939, show a net loss of $15,271.21.

For the above reason we state positively that our mills cannot operate successfully under the 32½ cent minimum wage law proposed, unless the mills, spend an enormous sum for improvements.

We oppose and object to the establishment of a 32½ cent minimum wage for the textile industry as a whole, and insist on a substantially lower wage for the small cotton mills of 25,000 spindles and under, for the (2661) following reasons:

(1) It will substantially curtail employment.

(2) On account of high freight rates from our plants to the consuming centers competitive conditions force our mills to sell their goods at a less price than mills more advantageously situated.

(3) Our production costs are higher than the large mill units and the law requires that this be taken into consideration.

(4) Our mills employ entirely local help, for the reason that the mills were built entirely by local capital, for the purpose of giving employment to our local people who were idle and in need of employment, therefore, our hands are not skilled textile help and the work load of each employee is from 15 per cent to 25 cent less than the same work load carried by the northern mill workers who are experienced in this line.

Elaborating on the above four reasons for our objection to the establishment of the 32½ cent minimum wage rate, I beg to state as follows:

Objection No. 1:

If the wages of our employees are raised from 25 cents to 32½ cents per hour minimum, under present textile conditions there is nothing these mills can do except to (2662) adopt one of two courses:

(a) To discontinue operations entirely, thereby depriving employment to 552 jobs and the means of living to over 2,000 individuals.

(b) To modernize entirely, according to present day standards both mills, and trying to see some way in which our mills could operate, we have recently had J. E. Sirrene & Company, engineers, to make a careful and detailed survey of our two plants to see if it was possible to continue operations under present conditions, and especially under the minimum wage of 32½ cents proposed.

Sirrene & Company have made a preliminary estimate, in which they state that the Opp Cotton Mills would have to spend $259,876.00 and the Micolas Cotton Mills $245,197.00, and that by doing so, that the Opp Cotton Mills could reduce their employees from 315 to 251 and the Micolas Cotton Mills from 237 to 195, therefore, adoption of either one of these avenues open to us would result in substantial unemployment, in that if we shut down entirely, 552 people are thrown out of work and if we make the improvements recommended by the engineers, 106 will be thrown out of employment.

Objection No. 2:

The distribution of our goods in the different (2663) sections of the United States is as follows:

South 35%
East 60%
West 5%

On shipments made in the South we enjoy the same rate of freight as our competitors. On shipments to the East, which constitute the bulk of our shipments our freight rate is from 20 cents to 50 cents per cwt. higher than the northern mills, thereby forcing us to have to sell our goods at a discount of approximately 1/10 cents to 1/8 cents per yard, which means a loss to our two mills in freight rates alone of from $30,000.00 to $37,500.00 per year, which fact certainly entitles our mills in the South to a lower differential in the minimum wage scale than the mills in the north.

Objection No. 3:

Our production costs in our two mills, which are small units, are higher than production costs in the larger units, for the following reasons:

(a) The cost of building a small mill unit is much greater than the initial cost per spindle of a larger mill, on account of buildings, therefore, interest charges to start with are much higher per spindle and the small units have to pay a higher price for supplies than the larger units, as they (2664) cannot buy bolting, bobbins, shuttles and other supplies in large enough quantity to get the discount procured by the larger units, and do not enjoy carload freight rates on supply items, with the exception of starch. The operation of a small unit is

more expensive, as a good many operators do not have a full job on account of size of mill. The supervision in overhead expenses, such as overseers and superintendents, is considerably more per spindle, as each unit must have the same number of supervising heads. As a rule the larger units have their own selling arrangements, whereas the smaller units have to rely on the commission merchants, therefore, the selling cost per pound of their goods is much higher than the larger units. Most small units are coarse goods mills, and therefore, the quantity of cotton consumed per spindle is much greater and the amount of cotton per spindle required being much greater, the small mills have to pay a larger interest carrying charge on cotton to be manufactured. The small mill units are too small to operate except on a few standard constructions, therefore, they cannot change the operation of the mill to the better paying constructions—like the larger units can do. This is a further serious handicap to the successful (2665) operation of the small unit. Consumption of electric power is not large enough to reduce the price of the electric current bought to the basis per spindle that the larger units enjoy, and the small units do not own any power plants as a good many of the larger units do. The clerical help per thousand spindles will also be larger in a small mill than a larger mill, and the same thing will be true with reference to cost per spindle of the necessary equipment used, all the way throughout the mill from the office to the machine shop. The number of pounds of cloth produced by a small unit is so much less in the aggregate, that the cost of all administrative expense, such as officers salaries, overseers, superintendents and head mechanics makes the cost per pound to the small unit much greater and is a serious handicap to the operation of any small unit. The larger

mills recognize the fact that the small units cannot survive under highly competitive conditions with the larger units, provided the small units pay the same rate of pay and work the same number of hours as the larger units.

Objection No. 4:

Our mills were built entirely by local people for the purpose of employing local labor that needed employment, (2666) therefore, we try to confine our employees to local help off of the farms in and near our town, therefore, these hands are not as efficient as the northern cotton mill employees. For instance, our spinners operate an average of 8 to 10 sides to the spinner, whereas the spinners in the East operate from 12 to 20 sides per operator. Our weavers operate from 45 to 50 looms, whereas the northern weavers operate from 80 to 120 looms; and this same proportion extends throughout the mill, therefore if we give employment to these people we cannot do so on the basis of wages paid by the northern mills and the law specifically states that the transportation, living and production costs must be considered.

Summarizing, I will state that living conditions in our Section are from 20 per cent to 50 per cent cheaper than living conditions in the North. We charge our renters only $4.00 per month for a four room house, with free water, and our employees are living under better living conditions than they ever enjoyed in their lives until they came to our cotton mill village and are living under more sanitary conditions, as these people came off the farm in our immediate section where lies the real economic condition No. 1 referred to by our President. One boy or girl employed in our mill, even with the 25 cents per hour rate will make more money per year than a family of five (2667) can make on a farm during the year. Further, at 25 cents per hour our employees are re-

ceiving more money per hour than employment of like nature or kind in our section of the country will bring. The laborer in our section only receives from $1.00 to $1.50 per day, whereas our minimum at present is $2.00 per day and if we were allowed to train any additional help without expense to the mill we could procure ten times as many employees as we have at present. At this point I would like to say that it is a travesty on justice and a shame and disgrace to our nation that a law is now in force that deprives all young people —boys and girls—wanting to work from being able to take a learners job in the line of business or profession that they would like to follow. In other words, our mill is prohibited from teaching the sons and daughters of our employees from working in our mills, thereby throwing these people on the streets and the highways, or on the government for relief.

Our mills cannot operate on 30 cents or 32½ cents per hour under present conditions and we do not know that we can obtain financial assistance to put in the improvements recommended by our engineers, therefore, an investment of around $1,500,000.00 is threatened with destruction and the jobs of 552 people are hanging in the balance, and if the improvements are finally made by our (2668) mills, 106 people will be denied further employment.

Now, that is my statement, and I would like to correct it to this extent, in using the figures of 315 employees at one mill and 237 at the other mill, or a total of 552 employees, I should have used the word "jobs" as we have 315 jobs at one mill, and we have on the payroll at that mill 394 employees.

At the other mill we have 237 jobs and 281 on the payroll. Therefore our job load, work load, is 552 jobs and 675 employees.

And by the same token, we have 106 jobs that will be destroyed if we put into effect the modernization program recommended by Mr. Sirrene. But we would have out of employment about 130 people that will be thrown out of employment if we make these improvements. . . . (2669)

Both mills are located at Opp, Alabama. The last census gave us, I think, 2983. I would say about 3500 people at the present time. . . .

There are no other industries to take up any people denied employment at our mills. . . .

Our average wage rate today is about 27½ cents per hour. . . . (2670)

I gave the loss figures which were the operating loss figures. Our real losses were greater than that because unfortunately we had to hold these goods. The figures that I gave as a loss was figuring the market price of the goods as of the date of making up that cost, which we make up every two weeks. However, we were not able to sell those goods, and we took a much greater loss than the figures that I gave you. . . . (2677)

No, sir, these mills were organized as a local venture for the benefit of the local people, and to be perfectly frank about it, I only took what stock I figured I could afford to lose at the time. I have increased my holdings since then. I took my stock for the good of the community, and with the hope of benefiting the unemployed. . . .

TESTIMONY OF C. W. MIZELL (T. 2670)

The witness, a resident of Opp, Alabama, stated that he was president of the Opp Cotton Mills and the Micolas Cotton Mills. He testified on cross-examination as follows:

Cross-examination by MR. BORKEIN:

Q. Do you make rather coarse sheetings?

A. Yes, sir.

Q. What kind of yarn do you use on the type of sheetings that you manufacture?

A. The yarn numbers in the warp run from 10s to about 17s. The filling numbers will vary from 6s to 21s.

Q. Are there any manufacturers in the North producing sheeting in competition with you?

A. I couldn't answer that question. I have never made a study of what each mill manufactures. I know that we have very severe competition with large mill units in the Carolinas that are located nearer the finishing plants, but I wouldn't say there are any mills in the North at present that are maunfacturing those particular numbers. However, when they come in direct competition with our North Carolina mills, that puts the North Carolina mills right back in competition with me. It is a wheel within a wheel.

Q. Mr. Mizell, the major source of competition in your coarse sheetings, that is from your Carolina mills, is it?

A. Well, that would be my idea, Carolina and Georgia mills.

Q. In your knowledge, you made reference to the fact that the transportation costs in comparison between your mills and the Carolina mills, you are at a transportation cost disadvantage?

A. At about 20 points, from the Carolina mills to the finishing mills in the Carolinas, 20 to 50 points.

Q. You indicated your warp yarn counts run up to about 10, did you say?

A. I said from 10 to 17.

Q. You indicated in your testimony that your job size on that is from 8 to 10 sides?

A. That is correct.

Q. Do you think that is a customary job size for that kind of yarn?

A. I do not.

Q. Do you know what the customary job size is at that point?

A. Anywhere from 12 to 16 on those yarns.

Q. If I told you that most of the mills manufacturing that type of yarn in the Carolinas have job sizes from 8 to 10 sides, do you think it would not be correct information?

A. I think it would be untrue.

Q. You made reference to the fact that there are mills running sixteen sides in the North. Were you inferring that they were running that on coarse size yarn?

A. If they are operating, their expert operators could operate 16 to 18 sides of 10 to 17 yarn. But I can't say that they are operating them.

Q. You said that the mills, your mill is operating the loom assignment is 45 to 50?

A. That is correct.

Q. Do you think a job assignment of 45 to 50 on the type of goods that you are producing, with the construction you have recited, is a lower than average size job?

A. I know it is, I don't think anything about it.

Q. Then you deny the fact that the most of the mills in the Carolinas have jobs that are not in excess of that?

A. I would say that is untrue.

Q. Mr. Mizell, would you say that the wages in the Carolinas are higher than yours?

A. I would say that the wages in the Carolinas would be about 2½ to possibly 5 cents higher than ours.

Q. What was your minimum wage at the time in 1933, at the time N. R. A. came into effect?

A. Now, I wouldn't say. I think though it was around $1.50 a day minimum.

Q. I mean after the N. R. A.?

A. Oh, after the N. R. A.?

Q. Yes.

A. The lowest priced help that I think we had in our mill was $1.55, after the N. R. A.

Q. $1.50 for how many hours?

A. No, per day.

Q. How many hours per day?

A. We worked anywhere from 10 to 12 hours per day.

Q. I am talking about the N. R. A.

A. No, you didn't ask me about the N. R. A. You said after the N. R. A.

Q. Under the N. R. A. what was your minimum wage?

A. Under the N. R. A., if I remember correctly, it was 25 cents—no, it was 30 cents.

Q. When did you depart from that minimum?

A. The very minute the N. R. A. was killed and we reopened our mill after a shut-down of four months, as we were facing bankruptcy, we lowered our wages and increased our hours.

Q. You indicated that your plant was rather well equipped, did you not?

A. I said it was well equipped.

Q. You have long draft spinning and single process picking and other equipment, and other very recent equipment?

A. That is correct.

Q. What new equipment would you need?

A. The engineers recommended the following changes: Building, which is including an extension to main building opener room to take care of machinery room at the Opp Cotton Mills, $14,240; textile machinery, which I will enumerate, $166,913; overhead cleaning for spinning, $10,680; removing 160 Mason looms,

and moving 130 looms into the building, $2,320; power wiring for looms and new spinning, $6,704.

Q. What was that?

A. Power wiring, realigning the mill, $10,000; freight and erection of textile machinery, $16,500; supplies, $8,894; miscellaneous and general expense, including engineering, $23,625, making a total of $259,876.

Q. Now, the machinery that he suggested buying was as follows:

A. 6 feet standard for feed apron on feeders used as a bale breaker, $132; 5 No. 5 feeders, 38 inches wide, at $715, total $3,575; 42 deliveries of drawing at $170 per delivery, less 4 percent, $6,855.

Q. Will you just read the most important machinery?

A. The next two items will get it. 11 96-spindle long draft slubbers, 10 by 5.8 guage, $30,533; 38-inch, 240-spindle warp spinning frames, 4-inch gauge, long draft, including motors, starters, and driers, $113,055; 2 winders, $11,028; changing of warp spinning frame, $1,735; total, $166,913.

Now, I can give you the same figures for the other mill if you want it?

Q. No; I have the general character of the changes.

Mr. Mizell, could you venture an opinion as to whether those changes would be necessary if the minimum were raised merely to 30 cents?

A. I couldn't say about that. I don't know whether our mills could operate on 30 cents or 32½ cents. In fact, my opinion is under the present conditions we cannot operate under either one. But if conditions improve any, and we make these improvements, we figure we could operate on a 30-cent basis. But I don't believe we can operate on the 32½-cent basis.

Q. Mr. Mizell, you are President of both mills?

A. Yes, sir.

Q. Are you engaged in any other business?

A. I have been in the banking business since 1905.

Q. Are you engaged in any other phase of the cotton industry.

A. No, sir.

Q. Do you buy cotton?

A. No, sir.

Q. You indicated that the closing of the mill would mean a loss in investment of a million and a half dollars?

A. That is correct. I mean by that that is what the mills cost us. The last financial statement of the mills show the fixed assets of the Opp Cotton Mill are $864,363.37. Of course depreciation came from that, you understand.

The Micolas Mill was $643,383.98, meaning an original investment of over a million and a half dollars.

Q. Mr. Mizell, the total capitalization of both mills now does not exceed about $600,000, is that right?

A. The total capitalization of both mills—I can give it to you in a second—$874,000.

Q. Mr. Mizell, have you been the owner of these mills since 1921?

A. No, sir; these mills were organized as a local venture for the benefit of the local people, and to be perfectly frank about it, I only took what stock I figured I could afford to lose at the time. I have increased my holdings since then. I took my stock for the good of the community, and with the hope of benefiting the unemployed.

(Redirect examination.)

TESTIMONY OF E. H. MORRIS, JR.—(2679)

Said witness testified as follows:

I am president of the Geneva Cotton Mills of Geneva, Alabama. This mill was organized in 1923 and built (2680) in 1923 and 1924. It began operations in the year 1924. It has 11,840 spindles and 350 looms. Its product is sheetings —about 19's to 21's yarn.

This mill is in a town of about 2500 people and the employees are all local. It was built by local capital for the purpose of giving employment to the people who were in need of work. There was not a stockholder or anyone connected with the organization who knew anything about the cotton mill business.

This mill has operated very nearly full time since organization. Capital stock paid in was $250,000.00 during the latter part of 1923 and first part of 1924. Dividends paid to stockholders during all of these years has been a total of 59%, or $147,500.00. During this period the mill has paid out for labor and salaries $1,579,698.71. It begun operation with 4,800 spindles and 148 looms.

The profits have been put back into the mill and the investment at this time is $608,491.06 for the plant, and $5,901.26 for the land.

It does not have enough village buildings of its own for all of the employees. The rent charged for the mill-owned houses is around 50% of what they have to pay other owners for rents.

At the present time this mill employs 251 operators (2681) in addition to its office help and superintendents.

According to an audit made by a Certified Public Accountant as of June 17, 1939, the net profit from its operations from November 1, 1938 to June 17, 1939 was $4,978.97. For the period from May 22, 1939 to June 17, 1939, which is four weeks, the audit showed a loss of $4,009.36. For the period November 1, 1938 to June 17, 1939, this mill paid out for labor and salaries $100,977.22.

Therefore, the mill cannot operate successfully paying a minimum wage of 32½ cents per hour.

This mill is considered modern, having spent within the past two or three years about $150,000.00 for improvements.

If the 32½ cents wage rate is put into effect, it will cause the unemployment of 251 operators, also all office employees and superintendents.

There is no reason for this mill to further modernize its equipment for the reason that in doing this it would only be a short while before any new machinery that is installed now would be obsolete.

Goods from this mill have a higher freight rate than mills nearer the finishing plants have. The distribution of our goods to the different sections is about as follows: South 40%, East 55%, West 5%. (2682)

Farm labor in the territory in which this mill operates is from 50 cents to 75 cents per day, and a day is considered from sun-up to sun-down.

What is the average wage rate in your plant today?

About 27½ cents an hour, and maybe 28 cents. . . .

Geneva, Alabama. He testified on cross-examination as follows:

Cross-examination by Mr. BORKEIN:

Q. Mr. Morris, I believe that you indicated that your major sources—the concerns with which you are best acquainted are concerns located in Alabama?

A. Well, I am not so well acquainted with all of them in Alabama because I haven't been in many mills.

Q. Where do you find most of your competition originates?

A. I don't know; from all of these mills that make the same goods that we make. I know that we don't make any prices on anything, but we sell, and we buy on the other fellow's price.

Q. And who are the mills that seem to be taking the business away from you?

A. Nobody.

Q. You seem to be commanding a substantial portion of the market, or sufficient to keep you running all the time?

A. We sell it at some kind of a price; we have to, to keep running.

Q. You sell these goods at any price that is offered to you?

A. That is right. We sell them on the market up there in New York, just like the rest of them do, except when they hold. We don't make the market.

Q. Do you approve the price quotations as they are offered to you?

A. Yes, sir.

Q. Do you find that sometimes you are selling your sheetings at prices which result in a net loss to you?

A. Yes, sir.

Q. Do you find that other mills are doing likewise?

A. Yes, sir.

Q. Do you know whether these mills are maintaining costs which are in excess of yours?

A. I don't know about their costs.

Q. You indicated that you were making profits in the period from November 1st through June 17, 1939, of approximately——

A. Yes; of about $4,900.

Q. Yes. In all of that period, you were operating at a net profit?

A. Yes.

Q. Would you feel that you would be handicapped in any way if all of your competitors were placed on the same footing as you—the same wage basis as you are on?

A. Well, the only thing I know is that we can't pay any more wages with our mill now.

Q. I am asking you if all of your competitors were placed on the same wage basis as you were, the same wage minimum, would you feel that you were handicapped in any way?

A. I don't know what their wage basis is, except what I have heard here.

Q. I am asking you if they were placed on the same wages, same wage basis that you were, would you find that you were under any particular handicap?

A. No; I would find that I couldn't run my mill on this 32½ cent rate, if it were put into effect.

Q. No; I am not asking you that at all, but suppose, we will say, that a 28½-cent minimum per hour for all mills in Alabama were put into effect which were producing sheeting in competition to you—now, would you find that to be of any particular hardship on you?

A. Yes, sir; because I couldn't pay 28 cents.

Q. Just a minute—if all of your competitors were paying 28 cents, is it likely that the price of sheeting which was being sold would be affected by that market?

A. I don't know.

Q. Mr. Morris, do you find that the number of sales which you were making at a loss changed with October of 1938?

A. We didn't make any money in 1938.

Q. But you were making money in 1938–39?

A. No; we weren't making any money; we did make about $4,900, but I wouldn't consider that much money.

Q. Well, some people are complaining here very much about losing hundreds and hundreds of thousands of dollars, and no doubt they would like to see the black side of the ledger. Your losses have been minimized by the adoption of a 25-cent minimum wage; has it not?

A. Do you mean by that that we have less competition?

Q. No; you have people in the market competing with you on prices much closer than your own, and if they were under a wage scale, they couldn't undersell you, could they?

A. I don't know what their troubles are. I think that they mostly sell like I do, on the prices that are quoted in New York, that are quoted in that little paper that they have around here.

Q. What were your average hourly earnings in October of 1938?

A. I really don't know.

Q. Did you have to raise the wages of anybody when the 25-cent minimum went into effect?

A. Yes, sir.

Q. What proportion of your employees?

A. I don't remember the proportion.

Q. Did you observe the 30-cent minimum under the N. R. A.?

A. However, the 25 cents' minimum didn't amount to so much.

Q. Did you know if all of your competitors had to increase any of their employees?

A. I don't know anything about my competitors, but I would think that they did, but I didn't see their pay rolls.

Q. Would their increasing their wages more considerably than your own, would that mean that they had a less cost advantage than you in selling on the market?

A. They have a freight advantage.

Q. No, I mean a cost advantage in respect of labor?

A. I don't know.

Q. I mean this—if the cost of the manufacturing of a pound of sheeting was a quarter of a cent difference between you and your competitor before October 1938, and they had to increase their wages to about one-eighth of a cent more than you did, wouldn't their cost come up more than yours did?

A. I don't know whether they would come up more or not. In fact, I don't know anything about the other fellow's cost. I don't have his cost sheets.

Q. Do your sales agents ever tell you that others are offering goods at lower prices than you are?

A. Yes, sir—well, no; they just tell me that they are selling them at a lower price, and not only offering them.

Q. Are you engaged in any other business than as president of the Geneva Cotton Mills?

A. Yes, sir.

Q. And could you name that business?

A. I am in the turpentine business and farming.

Q. When did you enter into the manufacture of cotton goods?

A. In 1924.

Q. Are any of the directors in your concern interested in cotton manufacturing exclusively?

A. No, sir.

Q. What could you tell me about the side assignments on your spinning, the spinning of your warp yarn, the side assignments for your spinners?

A. About ten sides.

Q. Could you tell me about your weavers' jobs, their assignments?

A. 58 looms.

Q. Fifty-what number of looms?

A. Fifty-eight looms.

Q. Is it your contention, or that you made a statement that it is not possible for you to modernize your plant any more?

A. No; I didn't make any such statement as that. I said that there wouldn't be any use of further modernizing the plant.

Q. Can you possibly explain that statement?

A. I think that in a very few years, that it would be obsolete again. We have modernized once or twice and spent all of our money once or twice in modernizing.

Q. You testified that your original capitalization was $250,000, didn't you?

A. Yes, sir.

Q. And that your present capitalization is somewhere near $650,000?

A. I said that our total investment in the plant and real property at the present time was somewhat over $600,000.

Q. And I believe that you stated that you had paid out about 59 percent in dividends since the time it was organized?

A. No; I said 59 percent.

Q. That is right, 59 percent in dividends?

A. Yes, sir; that is right.

Q. 59 percent on your basic capitalization, is that correct?

A. Yes, sir; 59 percent on the $250,000 basic capital.

Mr. BORKEIN. That is all.

By Mr. NATHAN:

Q. I believe you stated that when you started this textile mill up in 1924, that no one connected with it knew anything about the textile business?

A. I don't think that any one of them have ever been in a textile or a cotton mill.

Q. Do you think that the management of the mill has suffered in any way, or is suffering today, on account of the fact of the lack of knowledge of textile mills by the management?

A. No, sir; I don't think so. We are still in business and going along, while some of the others which were much larger and which companies had no debts at the time that we went into business, are now out of business. They were bigger than we were when we started, and they were out of debt when we started, and they are broke now and out of business, and we still are able to get along this far.

Q. I understood you to say that there was no need to install any new machinery because it would become obsolete?

A. We have just modernized our mill in the past two years, and I don't see the necessity for it again.

Q. Now, you may not need to do so, but if you did need to modernize, would you agree to do it, if you could operate the mill by doing that?

A. We have done that all along and have kept our mill up, and I don't feel that it is necessary to modernize any more right now.

Q. Then, your idea is that there is no need to buy a new suit of clothes, because it will wear out, anyway?

A. No, sir; that is not the idea at all. I mean if we borrowed money and spent it on this mill, why, we don't

know next year whether we would be able to run it or not.

Mr. NATHAN. That is all.

Redirect examination by Mr. MCKELVY:

Q. Mr. Borkein asked you if all of the mills in Alabama were on the 32½-cent minimum wage rate, if you were paying that rate, would you be injured.

Isn't the principal thing that you have to contend with today the condition of the markets?

A. I don't know. I am one of those that believe that we have got to sell cotton goods at a price so that it will compete with all other substitutes. For instance, paper and jute and burlap, and if we get cotton goods up high, we don't sell them. In other words, there won't be as many used, and we wouldn't need so many. In other words, it looks to me like we are working for paper now.

Q. Has your business suffered any from inroads of paper competition?

A. Yes, sir; it has. They are using paper now where we used to sell cotton bags for that trade. We make bagging goods, goods for bags, and I now see the same products that we used to sell cotton bags for that are now put up in these paper bags.

Q. Have you any other statement that you care to make, Mr. Morris?

A. No, sir.

Recross-examination by Mr. SCHLEZINGER:

Q. You testified that your mill had paid 59 percent of its original capitalization in dividends?

A. Yes, sir; that is all after 15 or 16 years of operation.

Q. It has also put back in the form of gross profits about $450,000, is that correct?

A. Do you realize when we built our mill that we had 4,800 spindles, and that the mill now has 11,840 spindles,

and it has been increased since it was first started, to that number, it has been increased in size.

Q. This increase in size from the $250,000 of original capitalization to the present investment of over $600,000 is made possible by virtue of the earnings of the company, is it not?

A. Yes, sir; that is from the earnings of the company, and I wish to state right now that the stock in our company is lower in value today than it has been at any period since the day that the mill was organized.

Q. And calculating that, it amounts to about 200 percent in 15 years, does it not?

A. Yes, sir; but it is in the form of a cotton mill that maybe won't be worth very much.

Q. And that is about 12 percent a year over the last 15 years, isn't it?

A. Yes, sir.

Q. And do you know that there has been considerable testimony given in this hearing, throughout this entire hearing, that for the past 15 years the cotton textile industry has been a very sick industry?

A. I haven't heard very much of the testimony here.

Q. Do you believe that your mill has been going along as a sick mill, sick operations, for the past 15 years?

A. No, but I think that these laws that they are recommending will have the effect upon the cotton textile industry like they had upon some of the other industries; the turpentine industry, for instance, has gone out, and I don't believe that my investment in the cotton industry is worth today what it was the first day that I bought it.

Q. Now, you state that a 32½ cent minimum wage would force you to close up your mill?

A. Yes, sir; absolutely it would, because we would lose money.

Q. Have you analyzed the effect of the 30 cent minimum?

A. No, sir.

Q. Do you know whether you could continue operations?

A. Not until I get to it, I don't know. I couldn't run on 30 cents today without losing a lot of money.

Mr. SCHLEZINGER: That is all.

Mr. MCKELVY. That's all, Mr. Morris.

(Witness excused.)

FRANCIS LYNCH.

Direct Examination.

By Mr. McKelvy:

Q. State your full name and address for the record, Mr. Lynch?

A. My name is Francis Lynch, of Albertville, Alabama.

Q. What is your occupation, Mr. Lynch?

A. I am president of the Saratoga Victory Mills located at Albertville and Guntersville, Alabama.

Q. How large are your mills?

A. We have two mills in the Corporation, one of the mills is located at Albertville, Alabama and one is located at Guntersville, Alabama, which is about 13 miles from Albertville. They are both 16,000 spindles and about 540 looms each.

Mr. Schlezinger:

Speak into the michrophone, please sir, otherwise we can't hear you.

The Witness:

I said that they are both 16,000 spindles and have 540 looms each.

Q. How many employees do you have in your two mills, Mr. Lynch?

A. We have the equivalent of 725 full-time employees.

Q. Will you state approximately how many people in those two villages are dependent upon the jobs in the mill?

A. Only one-half of the employees that work for us are living in the mill villages. We have small mill villages compared with other mills. We draw our labor, for the remainder of our operations, we draw it from the

towns where the employees live, or from the countryside nearby.

Q. Well, I don't think that you understood my question, Mr. Lynch. My question was how many people in the two little towns are dependent upon the two mills, —approximately how many?

A. We are the only industry in the county. Of course, the county is a rich agricultural county, settled entirely by white people.

Q. What do you manufacture in those mills, Mr. Lynch?

A. We manufacture a lot of what is known as medium semi-fine gray cloth, confined to converters,—in other words, we sell solely to the converting trade and we don't finish any goods.

Q. On what markets do you dispose of those goods?

A. We dispose of them in the New York markets, principally.

Q. Mr. Lynch, what is the average wage rate in your plants?

A. That average wage rate is about 34½ cents per hour.

Q. Do you have a statement that you wish to make in connection with this matter?

A. Yes, sir.

Q. Just proceed.

A. Saratoga Victory Mills, Inc., was established in 1928.

Its mills are located at Albertville and at Guntersville, in North Alabama.

It is the successor to a mill established in 1846 formerly operated in Saratoga County, New York.

The mills in Alabama were constructed and initial working capital of $322,000.00 was provided through a bond issue of $825,000.00 supplemented with $550,000.00 cash raised from the sale of preferred stock. $300,000.00 of this preferred stock was provided by residents of the two cities where the mills are located.

Holders of preferred and common stocks have not received any dividends.

Through the intervening years interest has been paid semi-annually without a single default on the bonds. The annual interest rate has ranged from $53,000.00 in 1929 to around $40,000.00 at the present time. This reduction has been brought about through the purchase and retirement by the company of about $160,000.00 face value of its bond issue. As of December 31, 1938 the company was in arrears to the extent of $200,000.00 in the retirement provision of its bonds. The net quick assets as of December 31, 1938 were $525,000.00, which I might say you will observe is about $200,000.00 more than the stipulated working capital.

The advantages of location in 1928 were:

An abundant labor market,

A difference in labor costs amounting to about 25% in this area compared with Massachusetts and New York,

An advantage in the purchase of cotton locally amounting to 3/4 to 1-1/4 cents per pound,

The labor supply continues very plentiful.

The wage differential was reduced to about 7% on minimum rates under NRA. When NRA was declared unconstitutional, our company continued with the 30 cents minimum.

When business became profitable in 1936 and part of 1937, the company voluntarily increased its minimum base rate to 33 cents. In the summer of 1938 it went back to the 30 cents minimum on account of continuing losses through 1938. We are operating at a loss at the present time.

In 1938 the corporation lost $107,000.00.

Its loss for the first six months of 1939 I would calculate at betweeen $35,000.00 and $40,000.00. This is after both interest and depreciation.

The advent of the corporation in the local cotton market improved the buying basis to the farmers.

The increase in delivery points on New York Cotton Exchange contracts at ports along the Atlantic and Gulf has also served to improve the buying basis in the interior.

More recently, Government loans on cotton have created staple differentials to the advantage of the farmer, particularly in our area, where there is an abundance of warehouse space for handling so-called Government loan cotton.

So that what was an advantage of 3/4 to 1-1/4 cents per pound on our cotton purchases over Fall River and New Bedford has practically disappeared.

No so-called tax exemptions were given to this corporation because of its location in Alabama. We purchased the sites and paid taxes to State and County from our start in 1928.

In 1929 we had ample bank credit at New York to supplement our working capital. When the depression hit in October the bank tightened down on credit. We were able fortunately to arrange a factoring credit as needed up to $300,000.00. For whatever part of this credit we use, we pay 5% interest. This credit enabled us to survive the first depression and we hope to survive this one

We have beeen able to discount all bills; to buy raw material in volume for our needs when we considered market conditions favorable.

We have been able to provide our employees with steady employment most of the time during these years.

In order to reduce our fixed charges we endeavored, in 1936, to obtain a sizeable loan from the RFC. We

planned at that time to call our bonds and simplify our capital structure, yet preserving the equity of those who, in good faith, put their money into this enterprise. The director of the RFC with whom we were negotiating finally refused our request. He based his refusal on the grounds that we were a going concern, in good financial condition, and because we could not show that a loan was necessary to provide additional employment.

Our mills are small. Each has 16,000 spindles, 540 looms.

We are known as a medium and semi-fine goods mill manufacturing grey cloth for the converting trade.

Our total annual capacity ranges around 15,000,000 yards.

We sell our goods ourselves.

About 80% of our shipments of cloth are sketched by our customers to finishing plants at Rockford, Delaware, and points north in New Jersey, New York, and New England.

The freight rates to these points range from 1.08 to 1.27 per cwt. The grey cloth weight varies from 2¼ to 6½ yards per pound, averages about 4 yards per pound. Consequently, the freight rate is equivalent to about 7½% of the present labor costs on most of our styles. While we sell f. o. b. mill, our customers calculate the freight when placing contracts.

We do not control prices. Our Eastern competitors attend to that. On such occasions when we do obtain the Eastern price per yard we attribute it to a tight position in a particular style or an appreciation of the high quality that we aim to produce. The usual differential on styles competitive with Fall River and New Bedford is 1/4 cents per yard, or 7½% of the labor cost.

We have the equivalent of 725 full time employees.
A full time employee works 40 hours.
Our payroll is approximately $10,000.00 weekly.
About half of our employees live in company houses.

All houses have verandas, are well kept up.

They have hard wood floors, built in fireplaces. All rooms are plastered. All have electricity, water, and sewerage. Several of them have baths.

I would estimate that at least half of our employees have automobiles, very many have electric stoves, electric refrigerators, and radios.

I have given you a picture of the company since its establishment in 1928.

I do not believe in the Wage-Hour Bill in principle. It is a further deprivation of liberty of the individual. It is a further centralization of authority.

While it is law, it should be enforced cautiously. The nation is still in a depression. Buying power of 68 billion is a long way from normal buying power of 80 or 90 billion. It would be far saner to have the 30 cent minimum become effective automatically in October. During a six months disastive period it may be that farm prices will rise. Perhaps the nation will produce more wealth, increasing the national income and buying power by several billion dollars.

Whatever the rate, in fairness to the workers of the North and in fairness to the workers and the industry in the South, there should be a reasonable justifiable differential. This differential is recognized by other industries.

Since we established our mills there has not been any expansion of the textile industry in Alabama. On the other hand we know of many yarn, weaving, and knitting mills, that have folded up. Some liquidated.

Closed mills mean greater relief rolls, greater poverty, and eventually won't benefit those responsible for the chaos to the extent of a single Alabama token.

Q. Do I understand you to say that you compete with mills in the East?

A. Yes, sir, quite extensively.

Q. Did you say that they set your prices?

A. Yes, sir.

Q. Is yours a modern mill, Mr Lynch?

A. Yes, sir.

Q. Do you contemplate any further modernization or improvements in your mills?

A. I don't believe in a stardard scale. I believe that we should constantly be making progress in that respect, but I would hesitate to consider taking any quantity of our working capital and putting that, at the present time in modernization, in face of the financial statement that we have shown for the last year and a half.

Q. Have you made a survey or estimate as to what the situation would be for you if the 32½ cent minimum wage rate is imposed upon you?

A. I know that with the difficulty that we are put to with regard to our location and freight rates, which are estimated in the costs, and then the position that we are put to on account of being a Southern Mill, in regard to New England as to the initial price on many contracts, I know that with the fixed obligations that I have, and the other mills with whom we are competing not having such conditions, I know that it would be very hazardous to recommend to any Board of Directors or to try to get any Board of Directors to approve any expenditure of two or three hundred thousand dollars for the purpose of making technical improvements in order to enable us to compete somewhat more successfully.

Q. I believe that you stated that there are no other industries or industrial employment in the towns where your mills are located?

A. There are none, no, sir.

TESTIMONY OF FRANCIS LYNCH (T. 2705)

The witness, a resident of Albertville, Alabama, stated that he was president of the Saratoga Victory Mills located at Albertville and Guntersville, Alabama. He testified on cross-examination as follows:

Cross-examination by Mr. BORKEIN:

Q. I believe, Mr. Lynch, that you produce, as you indicated, medium and fine goods materials chiefly for dress-wear, is that right?

A. I didn't say dress-wear. Of course, we do make a lot of cloth for dresswear.

Q. What is it?

A. We make a lot of pongee, quite a few lawns, some madras shirting, and a lot of handkerchief cloth.

Q. Mr. Lynch, I believe—could you tell me whether there any Southern manufacturers who produce similar types of cloth?

A. Oh, yes, there are some.

Q. Do you feel the weight of their competition at all?

A. Their weight has something to do with it, but our main competition is——

Q. Just a minute, just a minute—in what respects does that handicap you in the markets?

A. By "that," what do you mean—whom do you mean?

Q. I mean the Southern competitors—are their costs lower, or do they attempt to accept lower prices, or are their costs lower?

A. I don't know what their costs are, but I know this—that in the selling of goods in the primary markets, certain concerns at certain times will undertake to depress the market in order to try to get the contracts at sacrifice

prices, and I think that you are familiar with that situation yourself.

Q. Are you familiar with any particular concern that succeeded in securing orders in this particular cloth market by such practices?

A. Oh, yes.

Q. Keeping that particular concern in mind, unless you want to mention the name of it—could you tell me what their relative wage scale is?

A. I don't know what their wage scale is.

Q. Do they consistently sell lower than you do?

A. Oh, no, sir.

Q. They do not?

A. No, sir.

Q. They sell lower than you do on occassions?

A. There are times when they will establish a market lower than we will meet, and we just withdraw from the market on that particular style.

Q. If the cost of that particular concern were established somewhat closer to your own, do you feel that your chances to stay in the market would be better—If their costs were pegged somewhat closer to your own cost?

A. Yes; I would feel so.

Q. With the 30-cent minimum, will it affect you in any way—would the 30-cent minimum cause any increasing of the wages in your plant?

A. The 30-cent minimum would cause a negligible increase of possibly a hundred dollars at both plants; that would take care of the cleaners and so forth.

Q. If we assume that these other competitors, with whose wage scale you are not acquainted, were paying less than you, and their wages were brought up to 30 cents, would that tend to take care of your market?

A. So far as that one point is concerned, but——

Q. We are only concerned with that one point, now?

A. But I am concerned with another point.

Q. What is that other point that concerns you most? I assume that it is the Fall River and New Bedford situation?

A. Well, you can take that for an illustration, if you desire.

Q. You indicated that the average hourly earnings in your plant was 34½ cents?

A. Yes, sir.

Q. And do you know what the minimum wage in the Fall River and New Bedford plants is?

A. I do not.

Q. Well, for your information, I will state that it was testified at the hearing in Washington two weeks ago by representatives of Fall River and New Bedford that their minimum wage rate was 34.4 cents, almost exactly equal to your average—and they will have no specific advantage from Fall River and New Bedford, but the general Northern average which would be typical of those places would bring it up to about 44 cents an hour. There is now approximately a ten-cent differential between the Northern producers of the type of cloth that you make and yourself. Now, has that been of any particular advantage to you?

A. That advantage, if there is that advantage, I don't know, if there is that advantage it must be compensated by other factors.

Q. Mr. Lynch, you indicated that your concern was organized in 1924?

A. 1928.

Q. 1928?

A. Just before the depression.

Q. Could you tell me why your concern was built or established or organized?

A. Yes. The Corporations' Mills in New York state ran single shift. The textile industry——

Q. Excuse me, where were they located in New York state?

A. Up in Saratoga County, North of Albany. They had 62,000 spindles up there, and they had a labor population that enabled them to operate a single shift. To have built homes up there, and to have brought in people from the outside so as to enable them to run at a double shift up there would have cost three quarters of a million dollars.

Not only that, the state of New York, if you will recall, passed legislation restricting the work week to 48 hours, and prohibiting the employment of women after nine o'clock at night.

Administrator ANDREWS. Ten o'clock, sir.

The WITNESS. Was it ten? Excuse me.

During the short periods of economic trends in which business would become profitable, other mills located in larger communities like Cohoes, for instance, which was a large mill, with some 5,000 looms, Fall River, New Bedford, Lawrence, and all of those other large centers, with an ample labor supply, all they needed to do was to put out a bulletin announcement, blow the whistle, and they could run a second shift.

That would prevent the mill up in Northern New York from enjoying as long a period of prosperity, or as large a portion of the prosperous trend as it would

have been able to enjoy had those other mills continued on a single shift.

The result was that the opportunity came to get this assistance towards establishing here, the property up there was closed out, and the mill was discontinued, the machinery was sold to this new corporation, and the plant was built.

Q. Mr. Lynch, do you know the status of textile workers in and about Saratoga at the present time?

A. I am sorry but I have been so tied down here with these mills that I have not been able to go back for the last seven years. I have been promising myself to do that.

Q. Have you heard rumors that still other mills have moved out from that area to the South?

A. I know the Harmony Mills at Cohoes have closed down.

Q. And a number of other knitting mills?

A. I don't know about knitting mills, because I don't pay much attention to them.

Q. Would you believe it quite possible that there are still hundreds and possibly thousands of textile workers who have never found a job since those mills moved out?

A. There has not been a mill established in Alabama since I built those mills.

Q. Mr. Lynch, who are the present owners of your corporation?

A. The present owners of the bonds are scattered around the United States. I have no means of knowing them.

The present holders of the preferred stock are scattered around, originally there were $300,000; five hundred fifty in Albertville and Guntersville, probably another hundred thousand dollars were taken up by various people in the South, and the balance taken by

our factory in the East, who happened to be the American Manufacturing Company.

Q. Would you say that of your present directors six are associated with the American Manufacturing Company?

A. I couldn't say that. I have no association with the American Manufacturing Company.

Q. But the members of your directors have?

A. Oh, yes; naturally they do.

Q. The American Manufacturing Company is located in New York City?

A. That is right.

Q. Mr. Lynch, to return to the question of wages, you indicated that the last year and a half were relatively unfavorable years, from the point of view of profit?

A. That is right.

Q. You had increased wages during the Spring of 1937 to 33 cents an hour as a minimum?

A. We made it—we went from—starting the latter part of 1936, I think.

Q. '36?

A. Through '37.

Q. Was the year '37 a profitable or an unprofitable year for your concern?

A. Profitable.

Q. '36?

A. Profitable. That is the reason I undertook to refinance the corporation. I thought it was a good time to do it, while in the black.

Q. Mr. Lynch, your original indebtedness was somewhere about $664,000, was it?

A. The original indebtedness?

Q. Yes; your original mortgage on the property?

A. $825,000.

Q. Oh, $825,000. It now is down to about $200,000?

A. No, we reduced the outstanding bonds to around $660,000. We are in default according to the terms of the indenture bonds to the extent of $200,000 of the face value of the bonds. We should have retired them in order to comply with the provisions of the bond issue.

Q. Who holds those bonds?

A. Those bonds are scattered in very small units all over the United States. There is no means of getting only a partial list of the holders.

Q. You indicated that you were constantly improving the machinery and the methods of operation in your plant?

A. That is right.

Q. And, of course, irrespective of what happens to the minimums, you expect changes to be made in the equipment and techniques, the technical operations in your plant?

A. Oh, yes; we will keep struggling.

Mr. McKilvy. (sic). That is all.

(Witness excused.)

TESTIMONY OF M. M. BRYAN—(2714)

Said witness testified that he was President and General Manager of the Jefferson Mills, having three cotton mills, one with about 14,000 spindles at Jefferson, Georgia, a town of about 1,800 people, another at Crawford, Georgia, with about 7,000 spindles, and a third at Royston, Georgia, with about 7,000 spindles. The three mills employ about 850 people. The mills were built, one about 1900, another about 1906, and the third about 1929. The chief product of the mills is a heavy weight flannel, composed partly of cotton and partly of cotton waste, and in addition, a line of pants material. The mills dispose of the majority of their product through New York selling agencies, about 60 per cent going to New York market, about 30 per cent to the Middlewest, and probably 10 per cent to the West, said mills being operated in competition with eastern mills, and also, southern mills.

Said witness further testified as follows:

Regardless of what effect the increase in minimum wage may have upon the company I represent, I believe any minimum wage law will ultimately prove to be unwise and a serious detriment to the industrial progress of our country. (2716)

There is such a wide difference in the make-up of each industrial enterprise, that every change or increase in wages will be filled with unjust discriminations. Intense wrangling and dissatisfaction are sure to follow.

I mean by wide difference in set-up or organization principally that some plants, especially the small mills, are most of them isolated and poorly located. No two mills are exactly alike and the difference between the large mill and the small mill is rather broad. A uniform wage scale for all is bound, therefore, to discriminate against some.

In the smaller mills, the investment for buildings and machinery per spindle is greater than in the larger mills, even where both the small and the large mills are constructed for the purpose of making the same class of goods. The cost for supplies is greater per spindle in the small mill.

In the purchase of supplies, such as bolting, bobbins, shuttles and other kinds of supplies, the small mill is at a distinct disadvantage because its requirements are not sufficiently large to justify buying in quantities large enough to receive quantity discounts. Seldom is a smaller mill afforded the relief from lower carload freight rates in the purchase of supplies, such as starch, paper, burlap, etc., because their requirements are not (2717) sufficiently large to justify carload quantities.

The man-power per spindle for the operation of a small mill is greater than that required for the operation of a large mill, due to some of the operatives in a small mill not having a full job. Supervision, such as Superintendent and overseers, cost more per spindle in the small mill. Traveling expenses, selling and other general overhead are much more per spindle in the small mill. In the purchase of electric power, the small mills do not get the benefit of the lower cost brackets in the consumption of power. The output of a small mill is not sufficient to enable it to create its own selling organization, thus making direct contact with its customers, whereas in many instances, the larger mills are able to create their own selling organization; obtaining a better distribution and at a less cost. Therefore, a uniform wage scale is a serious discrimination against the smaller units.

The tendency to constantly boost manufacturing costs by legislation in our country is playing havoc with our export trade. For instance, at a time when this Nation wishes to

trade freely with the peoples of Latin American Republics and thus eliminate possible foreign influences in these countries, the question naturally arises: How can we, with our artificially high prices, hope to (2718) capture and hold South American export trade against foreign competition?

Another thing: There has just recently been advocated, to help our cotton situation, a plan to subsidize cotton exports. This would place in the hands of our foreign textile competitors, cheap cotton with which to make our American Textile situation much worse through cheap goods flowing back to us, as well as to make our export disadvantages even more acute. If an export subsidy be in order, it seems to me a better plan would be to withhold the subsidy on cotton and instead, place it on textiles. Through this means American textile labor would be benefitted by being kept employed, and at the same time this country would be enabled through the subsidy, to recapture some of its lost export trade.

The factory I represent, was founded about 1900. It was built by a group of public spirited citizens who foresaw how much better off their people would be, and how much more rapidly their community would progress, if the abundance of local help could be employed at home. They believed that through the payrolls and the amount in taxes, paid by an enterprise of this kind, the merchants and citizens generally, in the town and community would experience further expansion and growth in their businesses. (2719)

There are certain handicaps to a plant located at that point. It is isolated. It is situated on a short line railroad where always the freight rates, both in and out, are above those located on trunk lines. The water facilities are poor, because it is not near a sizable stream. The humidity conditions are not very good, and have to be overcome by expen-

sive artificial means. These, and many other similar disadvantages; can be overcome only by the ability to use native local help at rates somewhat less than the wages paid at plants more advantageously located.

The mill would never have been built if a minimum wage and maximum hour law, had been in effect at the time. At the present time, these same handicaps exist, coupled with the fact that some of its equipment is rather old; and to compel a plant of this kind to raise its wages to the extent now proposed, and in fact, to the same level as the newer, more up-to-date and better located factories, would cut off their only means of overcoming the handicaps. Such action would be not only unwise, but insanely brutal. It would stifle the plant and render idle and dependent all of its employees.

I believe the condition described above, is the same which exists in many other small plants. Surely the adoption of a minimum of 32½ cents would cause many, many (2720) plants to entirely cease operating, and throw many operatives, together with their families entirely without means of support. The effect will be even more far reaching in such communities, because being the only industrial enterprise, the labor cannot be absorbed locally. Furthermore, if these people are ever reemployed, they will have to find work in the larger mills which are already over-crowded.

These larger mills, on account of the higher minimum, would be seeking to reduce their forces and would have no place for those thrown out of work by the closing of the smaller mills. It is easily understood that business in these small towns will be completely crippled. The merchants, who depend largely upon the payroll of the mill, will be forced to close their doors, and the loss of taxes to the town will be overwhelming.

Mr. Bryan, what is the population of the town where your mills are located?

The population of Jefferson, the last census gave us about 1800.

Is there any other industrial enterprise in the (2772) town? . . .

I ask you, Mr. Administrator, wherein would be the wisdom, justice, or equality in approving this minimum?

The ability to employ cheaper labor does not mean the smaller plants can undersell their larger competitors. It simply means a lower labor costs enables them to offset some of the above mentioned disadvantages and meet competitive costs.

Because of isolated location, the employees can live more cheaply, so that their net wages are equal to, (2721) and in many cases better than those of the employees of larger and better located plants. They enjoy just as much "abundance of life", are happy, and perfectly willing to help save their sources of employment, by serving at wages lower than the proposed minimum. It has always been the policy of our mills to pay just as high wages as market conditions will permit and in many instances, our scale of wages has been voluntarily increased.

In our plant, because we manufacture goods largely from cotton waste, we employ relatively a large number of workers, because much of this type of work cannot be done by machinery. Therefore, any order increasing the minimum pay is much more far reaching with us than it would be with others. If this proposed minimum 32½ cents, becomes effective, this branch of our business must be entirely closed. We cannot prevent losses, even at the present minimum. The proposed increase would make it impossible to operate. It may mean the closing of all departments, and the loss of jobs to some 850 employees.

TESTIMONY OF CLARENCE R. MILLER—(2723)

Said witness testified that he lived in Dallas, Texas, and was connected with cotton mills being operated at Dallas, McKinney, and Waco, Texas, the Dallas mill having 15,000 spindles, McKinney between 16,000 and 17,000 and Waco, at between 10,000 and 11,000, said mills being engaged in making colored goods entirely, and paying an average hourly rate of about 33½ cents.

The said witness further testified as follows:

It is my eager desire to file our plea in the record in behalf of the countless number of small mills throughout the South in general, which will include all the cotton mills of the Southwest, which plea, as I will endeavor to show, seeks to secure an interpretation, and an application, of the so-called Wage and Hour Act, in a legal manner as contemplated by the Congress of the United States, whereby these mills will not be forced out of existence.

I wish to be recorded in this appearance as a representive, not only for the employers, but also for the employees, in view of the fact that the mills of the Southwest are without representation for employers or employees on Textile Committee No. 1. My representations covering the interests of both employers and employees will not be in conflict.

Permit me to mention, in the beginning, that I was one of the very earnest and sincere supporters of the so-called Wage and Hour Act, in fact, I received the personal thanks

of the President of the United States for my efforts in behalf of the measure. A legal interpretation, coupled with fair and impartial application, (2727) will accomplish the desirable objectives of the measure, however, its illegal interpretation with an unfair application will make the measure disastrous for the major portion of the cotton textile industry.

A careful perusal of the provisions of the Statute, as enacted into law by the Congress of the United States, will disclose the obvious fact that its provisions, in letter and in spirit, are not being met as regards the selection of the memberships on the Committee and as rewards the recommendations made by the majority vote of the Committee.

The Statute very plainly requires, in the selection of members in each of the three groups, that due regard shall be given to the geographic location of the industry and no mention is made, in this respect, regarding a basis of selection with consideration to be given the number of spindles involved in the various locations. Therefore, it is perfectly clear that the Statute provides for differentials based upon the living conditions, the living standards and the cost of operations due to freight costs and distance from markets as between one geographic location and another.

Textile Committee No. 1 embraces in its membership the improper and unworkable grouping of cotton textile mills, whose production sells for four cents to twenty (2728) cents per yard, along with silk mills and woolen mills, whose production sells for four dollars to twenty dollars per yard; and also embraced in this same wage classification, we find the huge cotton mills of the North, which produce delicate and expensive fabrics, wherein style, and not cotton labor, sets the market.

I do not find in the records I have seen any reference to an investigation to determine if, and to what extent, data has been secured for the record rewarding the ability and experience required of the workers on a seven cents per yard fabric, as compared to a seven dollar per yard fabric, and the consequent ability of the employers to pay wages accordingly.

A small mill of the Southwest faces tremendous freight handicaps and discriminations, especially in reaching the markets of the nation, and to deny it the benefits of lowered costs of living for its employers, would render it helpless to overcome its freight and marketing disadvantages, thereby forcing the mill out of existence, not only representing a loss to the investors, but losing the employment for the workers and the loss of their purchasing power to the community. It is an undisputed fact that, under the Fair Labor Standards Act, or under any other basis of reason and fairness, the measure of fairness or adequacy, for comparative purposes, (2729) is the standard of living the wage scale will provide. Does the record of the Committee show that 32½ cents, spent for the necessities of life, will buy as much in the heavily populated regions of the North and East as 32½ cents spent in the mild climate of the Southwest, in the midst of the world's finest and cheapest vegetable market? Does the record of the Committee show whether a small mill located at Waco, Texas can meet on equal terms the important question of freight rates to the great markets located in the North and East?

On any given fabric, as compared to a larger mill, with a more advantageous location, a small mill cannot compete, and in the absence of a just and proper wage differential to represent the difference in the cost of living, cannot long exist, regardless of machinery efficiency.

If the statutory provision "geographic location" does not have reference to cost of living and freight rates, then I would ask just what the Congress meant by that provision and why it was incorporated as a part of the Statute.

If the Fair Labor Standards Act is interpreted, applied and administered, and enforced, as intended by its very plain provisions, it will be most helpful to American industry, to American labor, to American capital (2730) and to American ideals. To mis-interpret and to ignore the plain provisions of the Statute, to disregard the evident meaning of the Congress that enacted it, will so disappoint and disgust the people of the nation that similar legislative efforts for the future will prove impossible of enactment.

We must observe the spirit, as well as the letter, of a law. Even a questionable law, if properly administered, is tolerable, and a good law becomes intolerable when maladministered, and God save the nation when a bad law is badly administered.

The Fair Labor Standards Act carried with it the necessary provisions to protect the employers and employees as regards their location and a failure to make due provisions for the small mills of the industry, located as a commercial disadvantage, but with a living advantage, one to offset the other, is to ignore and disregard the clear, plain intent of the Congress.

The cotton mills of Texas, and the Southwest, small though they may be as compared to the huge mills of the North and East, yet they mean much to the Southwest, with particular reference to Texas, whose principal money crop, throughout the years, has been cotton and whose exports of cotton, year in and year out, gave us our favorable trade balance with the nations of the world. (2731)

Texas is the largest cotton-growing state—it must not create chaos in other agricultural districts by switching its cotton acreage to other agricultural growths, where a surplus already exists. The few mills in Texas must not be destroyed. The employees must not be forced into bread lines. Industrial Texas, in its infancy, and fighting for its existence, endeavoring to find work for its people, must not suffer the loss of the few spindles which, in the face of many obstacles, are now being operated.

I will make the definite and positive statemen., that, if the Fair Labor Standards Act is enforced according to the recommendation of the Majority of the Committee, without a differential, and the freight discriminations are not removed, there will not be a cotton mill left operating in Texas at the end of five years.

Upon behalf of the employers I ask that these properties be not destroyed through the unfair administration of this law, and speaking for the fellow-employees in the industry, and I ask this plea be given due consideration, that the threat of the bread-line be removed by legal compliance and correct interpretation and enforcement of the law.

The production of the cotton textile mills, if the mills are to operate and furnish employment for the workers (2732) must be marketed within the purchasing power of the people, particularly the farmers and producers.

Also, for the employees, I ask representation on the Committee by experienced, capable and competent workers, who are familiar with the living costs and living standards in the Southwest, who are familiar with the inside workings of a mill in the Southwest, and I register objection in their behalf to any representation by professional labor racketeers, who

know not and care less, of the living standards of the working people of the great Southwest, who believe in America and its Constitution.

For these employees and likewise for the employers, we register a plea for representation on the Committee, whereby the geographic region of the Southwest will receive due consideration. In this connection we ask what, if anything, the record shows regarding the character of homes for the employees, furnished by the mills, and the cost of same, as compared to similar costs in the North and East? Is there anything in the record that shows a comparison of the rate of pay in the cotton mills of the Southwest as compared to the employees in other lines of industry?

In conclusion I would point out, for the record:

a. That the cost per spindle of a small mill is (2733) greater than the cost per spindle of a larger mill, even where both the small and the large mill are constructed for the production of the same class of goods, thus creating a severe financial burden per spindle for the smaller mill.

b. The man-power per thousand spindles for the operation of a small mill is much greater than the man-power required for the operation of a large mill, due to the fact that, in nearly every instance, in a smaller mill, the overseers and foremen for the various departments, do not have a full job. The larger mill can pay a much higher wage than the small mill and yet the per pound cost to the large mill would be substantially lower than the per pound cost of the small mill, and, after all, this actually represents the true cost of production.

c. In the different geographic locations there exists a substantial difference in the cost of power, many mills of the North and East being equipped with water power. The large mills obtain a lower cost of power when using electricity by reason of a larger consumption. Where the mill operates its own power plant, the larger mills can, of course, produce their own power at a great reduction in cost as compared to the smaller mills. (2734)

d. Many of the larger mills, due to their vast production, can sell their output direct to the trade, or they own or control the selling agencies, whereas the smaller mill finds itself at the mercy of a selling agency, which is both expensive and unsatisfactory, yet it represents the only medium available for the small mill.

We herein present our plea that the report from Textile Committee No. 1 be referred to them for further consideration, and that additional members be appointed for the Committee whereby it will conform to the statutory requirements, and that re-organized Committee be instructed to make due and careful investigation and then to report in keeping with the evidence contained in its record. . . . (2735-A)

Well, if we had to pay 32½ cents minimum, which means a corresponding increase in the higher brackets, and our competitors in the large sized mills in the North and East have that same minimum, with their advantages over us, with reference particularly to costs of freight, we cannot compete with them. . . . (2737)

ADMINISTRATOR ANDREWS: Your objection is noted.

Did I understand you, Mr. Miller, to make the statement that none of the labor representatives on Industry Committee

No. 1 represented any workers in the cotton textile industry in Texas?

I never made any such statement as that. I don't know where you got your information. May I read that statement over to you, to enlighten you on the subject?

May I take a look at your statement for the moment?

Yes, sir. I said my employees didn't want to be represented by professional labor racketeers. (2738)

For your further information, they published that notice independently, over their signatures, in the papers over in Texas, if you want to know my authority for the statement. . . . (2748)

I think that a differential to the Southwest and to the Southwest as against the New England States is what was contemplated when that law was made. I think (2749) this, if you want me to be perfectly frank with you about it, but I don't want to start a fight with my brethren over there in the Southeast who are about to starve to death, just about the same as I am, but I think that we are entitled to a differential under the Southeast, and I think that those fellows in the Southeast are entitled to a differential under New England. . . .

For the present, the present recommendations, we (2750) are dealing with the 32½ cent suggestion, and your recommendation is that there be two differentials established within the 32½ cent maximum, is that correct?

My own personal belief from reading the statute, and from my work while in Washington when it was enacted, is that the Congress contemplated such. . . . (2754)

ADMINISTRATOR ANDREWS: Do you want me to understand that it is your opinion that I appointed labor racketeers to the Industry Committee?

THE WITNESS: What I want to say in that respect, Mr. Administrator, is this: That employees in my mills, for whom I was speaking, are not organized, and they don't belong to any union, and they have been more than solicited. They have been urged and even threatened, according to some of their statements, to join the union, and they have declined to do so. It has been represented to them that the Administration insisted upon their joining a union, and they have had all kinds of representations made to them, according to the statements that they have made to me. And, it is my understanding that about 80 per cent of the cotton textile workers are not members of any union. Whether my ratio there is right or wrong, I don't know, but it does seem to me that some representatives of their own workers, familiar with their own conditions and their own standards, should be selected, and that a member of that kind could render more dependable service than a man who had never spent a (2755) day working in a mill in his lifetime, who doesn't know a slasher from a loom and who has never been in one of the mill employees' homes to know what it looks like. I think that in justice to the overwhelming majority of the organized workers who do not want to be organized, and who do not want to pay dues, who do not want to have money taken out of their pay envelopes every week, that they should, in all fairness, have someone to represent them on this Committee. . . . (2759)

I have made the statements, and I stand on my written statement upon behalf of the employees in these textile mills that want representation or should have representation on that Committee, a representative of the unorganized labor,

I think that they should have someone on there, some members who are familiar with the conditions (2760) in the Southwest in these mills to represent them on that Committee.

. . .

CROSS EXAMINATION OF CLARENCE R. MILLER.

By Mr. Abt:

Q. Did I hear you use the term "labor racketeer" in your testimony, Mr. Miller?

A. A little more than that, it was "professional labor racketeer".

Q. The term "professional labor racketeer", do you apply that epithet to any labor representatives on Industry Committee No. 1?

A. I would apply that—

Q. Just a minute. I asked you the question whether in your statement you applied that epithet to any labor representative on Industry Committee No. 1?

A. I didn't in the first place use it as an epithet, but as an ajective, and in the next place, I don't even know who the labor representatives are on Committee No. 1.

Q. Then you didn't mean in your statement—

A. And I would like also, Mr. Administrator—

Q. Just a moment.

A. —to digress here to make—

Q. Just a moment. You are answering questions now, you will have plenty of opportunity later to make statements.

Am I now correct in my understanding that you did not mean to designate any labor representative on Industry Committee No. 1 as a professional labor racketeer?

A. I don't know whether they are professional labor racketeers or not professional labor racketeers. I have never had the pleasure of meeting one of the gentlemen.

Q. You don't know them?

A. I don't know them, no, sir.

Q. Do you know their names?

A. No, I don't know their names.

Q. Then you have no way of knowing who they are or anything about them?

A. I do not, no, sir.

Mr. Abt:

Now, Mr. Administrator, I wish to make my usual objection and motion to strike that portion of the witness' testimony relating to the designation of representatives to Industry Committee No. 1 by yourself, and preserving that objection, I would like to ask one question with reference to the matter of representation, in asmuch as you have not yet ruled on my objection.

Administrator Andrews:

Your objection is noted.

Q. Did I understand you, Mr. Miller, to make the statement that none of the labor representatives on Industry Committee No. 1 represented any workers in the cotton textile industry in Texas?

A. I never made any such statement as that. I don't know where you got your information. May I read that statement over to you, to enlighten you on the subject.

Q. May I take a look at your statement for the moment?

A. Yes, sir. I said my employees didn't want to be represented by professional labor racketeers.

For your further information, they published that notice independently, over their signatures, in the papers over in Texas, if you want to know my authority for the statement.

Q. Well, I won't bother to look at your whole statement, Mr. Miller. Let me ask you this: Is it your position that the labor representatives on Industry Committee No. 1 do not represent any workers in the Texas textile mills?

A. If they do, I don't know it.

Q. Do you know whether or not it is a fact that the Textile Union of America has been certified as the exclu-

sive bargaining agent under the National Labor Relations Act by the National Labor Relations Board in two Texas cotton textile mills?

A. I don't know it, no sir. They haven't been certified to represent any of my employees.

Mr. Abt:

That's all.

Administrator Andrews:

Any questions.

By Mr. Nathan:

Q. Has there been any attempt to organize your employees by union representatives?

A. Yes, they have tried in about four instances. The CIO tried to do it three times, and they came, without notice, disguised as workmen, and asked for positions in the mills, but they couldn't get any signers, couldn't get anybody to work with them.

And the A. F. of L. organizer came to my office and introduced himself to me and asked me if I would cooperate with them in organizing the company, and I informed him that I didn't intend to have anything to do with it; that I had nothing to do with my employees, as to what they did, that they could join or stay out of it, or do just as they wanted to, that it was entirely up to them, and I don't think that they ever got any of them on the dotted line.

Mr. Nathan:

That is all.

By Mr. Pitts:

Q. In your statement, you made reference to a comparison betweeen the wages paid in the textile industry in Texas and in other manufacturing industries there?

A. Yes, sir.

Q. Do you know that the average hourly earnings in Texas, in the cotton textile industry, of all of the workers in the cotton textile industry in Texas, do you know what that is?

A. No, I only know my own. I have never seen a wage scale of another mill in Texas.

Q. And yet you testify that it was 33½ cents per hour?

A. Yes.

Q. Do you know the average earnings, hourly, of other industries in Texas?

A. I know as a rule what the girls are earning who are working in the restaurants and department stores and drug stores and chain stores, and things of that kind.

Q. But we are speaking of manufacturing industries now?

A. Well, yes, I know some of them. I know as a rule about what the girls make, as a rule, in the garment manufacturing business.

Q. What is that wage?

A. Well, some of those girls in the cities make an average of more than we pay, and then in the smaller locations down there where living is cheaper, the pay is less.

Q. I am going to read you the figures taken from the Bureau of Labor Statistics showing—and I might state to you that these figures are as of March, 1939, showing the average hourly earnings in the cotton textile industry in Texas and all other manufacturing industries in Texas, as well:

The cotton goods average hourly earnings is 32.4 cents, and all other manufacturing in Texas, the average hourly earnings are 61.9 cents. Do you challenge these figures that are taken from the Bureau of Labor Statistics?

A. Do you mean to say that the other manufacturing plants in Texas pay an average hourly wage of 61 cents?

Q. 61.9 cents?

A. Yes, sir, I certainly would challenge that. I would get one of those jobs myself.

Q. These figures are taken, showing the number of establishments, number of wage earners, and average hourly earnings in the sample reporting to the United States Bureau of Labor Statistics in the cotton goods industry and in all manufacturing industries other than cotton goods for specified states in the month of March, 1939?

A. I would say that outside of industries like the oil refineries down there, that run a day and shut down a day, that I couldn't name you one industry down there in Texas that pays 60 cents an hour.

Q. You have no statistics whatever upon which to base the remarks that you made in your testimony with regard to that, have you?

A. Yes, sir, I have plenty of statistics on the whole thing. In fact, I have been a member of the Texas State Manufacturers Association down there since it was organized, and I was one of the organizers of it, and I have all of those statistics in my office.

Q. But you have no statistics available to support your statement that the average hourly earnings in the textile industry in Texas are comparable to the average hourly earnings in other industries in Texas?

A. No, I say that the cotton mill average earnings in Texas in locations where those mills are, are higher than what the girls get that are working at other jobs.

Mr. Pitts:

Mr. Administrator, I would like to offer in evidence the document just referred to by me, as Committee's Exhibit No. 26,—is there any objection to it?

Mr. McKelvy:

I would like to see it, first.

The Witness:

I would like to know one of those 61 cent concerns myself, because I may be open for a job pretty soon.

By Mr. Pitts:

Q. Could you tell us where the goods that you manufacture are marketed?

A. Yes, I know where they are marketed. We export some of them; we sell some of them around in Texas—

Q. What percentage do you export?

A. That would be a rather difficult question for me to estimate. It is substantial. We at one time had about a third of one mill and a third of another mill on export fabrics.

Q. And they are exported to what points?

A. I would prefer not to say with some of my competitors sitting around here.

Q. You have testified that you are at a competitive disadvantage because of the differentials, and this is a very pertinent question to that point, it seems to me.

A. Well, let's say that they are exported to the Philippine Islands, if that will help you any, if that is what you want, or some of them go to Cuba or to Puerto Rico, say.

Q. And you say that you are at a competitive disadvantage to export those goods, to these other mills in the United States?

A. Yes, sir.

Q. And what percentage of your goods are marketed in Texas?

A. Our own products?

Q. Yes?

A. I suppose, of our products in Texas, that we market about thirty per cent of our products there in Texas.

Q. To what other markets do you sell the remainder of your products?

A. Well, we ship some goods, some goods go North and some goods go East.

Q. Could you give us the percentage of the particular goods that you sell?

A. No, sir.

Q. You couldn't give us the extent, then, to which you suffer from a freight differential, as you claim?

A. I couldn't tell you the percentage of our products that goes to the different destinations where we suffer a freight handicap and where we take the business on a back-log basis.

Q. You can't give those figures?

A. No, sir, I can't give you those figures now.

Q. Have you been operating at a profit during this year?

A. We lost during the calendar year—our fiscal year ending September 30, 1938, we showed a red figure of $140,000.

I don't know just what the red figure is up to date; I do know that we lost $20,000 in March and we lost about $17,000 in May.

Q. In 1937—

A. In this year,—that is what I am talking about now?

Q. Yes, I realize that. What about 1937?

A. In 1937, for the fiscal year ending September 30, 1937, we had a profit, as I remember it, of about $7,000.

Q. You have successfully bid upon a Government contract through the Procurement Division of the Treasury Department recently, have you not?

A. Yes, sir, we did.

Q. Are you manufacturing those goods at a loss?

A. Some of it at a loss, yes, sir.

Q. Do you propose to manufacture all of that material before the mandatory 30 cent minimum becomes effective in October?

A. It calls for delivery—the last delivery of it, I think, is on September 25, if I remember right. It must all be delivered prior to October 1st.

Q. You do operate at an advantage with respect to the products that you sell in Texas, insofar as your competitors are affected by freight rates?

A. Well, I might illustrate that with this Government contract business that you are talking about. The Government asked for bids for about forty or fifty million yards of goods, and we bid on about a dozen items, and you are compelled to bid for each destination, a figure for each destination and the quantity scheduled for that destination at delivered price. The only business that was awarded to us was to those destinations where we were not faced with a penalty or a discrimination in the freight, and we did not get all of the business on which we bid, where we had a freight advantage as competitors did for delivery to points where we even omitted freight. We had some points that we bid on close to our mills that we didn't even add any freight to it, and we lost that.

Q. So the production that you did bid on was the production which your competitors had a disadvantage insofar as the freight was concerned?

A. We bid on all of it, but I am talking about what was awarded to us. We were given certain quantities which were for destinations where we didn't have a freight disadvantage.

Q. And it follows that you had some advantage over other textile producers in regard to those products?

A. Yes, sir, we had an advantage over some of the producers. Some of it went to Waco where our mill was located, but on a number of those items, our competitors got the business, although we made no addition, or had added no freight at all.

Q. I believe you stated that you make automobile seat covers?

A. Yes, sir.

Q. Where is that material marketed?

A. We have a couple of substantial customers in Texas on that product; and we have one in Kansas City and we have one in Chicago.

Q. You suffer no freight differential with respect to any of those destinations, do you?

A. Yes, we do on Chicago. We suffer a freight differential at Chicago.

Q. Over what points, do you know?

A. The customer claims that he can get goods from others at less freight cost than ours.

Q. You don't know where the competitors are?

A. No, sir, but I know that we don't get the business. We did have other customers located further east, and we lost all of those.

Q. It has been testified here that Chicago is on an equal freight basis with the Eastern and the Southern mills?

A. It may be, but I don't think that it is on an equal basis with the Southwestern mills.

Q. And including the Southwestern mills, I meant to say.

A. I question that.

Q. You have suggested that there be a differential for small mills,—or have I misunderstood your testimony in chief?

A. I think that there should be a differential as between the mills located—the small mills located where living costs are less, because, after all, I take it that these words "Geographic locations" was written into this statute for some reason.

Q. Then, I take it that you favor a regional classification and not a classification according to size of the mill?

A. Well, I will just take it either way that we can get it.

Q. Could you suggest a size classification for mills?

A. Yes, I could suggest several different things, if it would do any good.

Q. Could we have the benefit of your suggestion?

A. I don't know what benefit it would be to you. I would be glad to write a treatise and put it into the record, if it would help anybody.

Q. But briefly, can you make any suggestions?

A. I think that a differential to the Southwest and to the Southwest as against the New England States is what was contemplated when that law was made. I think this, if you want me to be perfectly frank with you about it, but I don't want to start a fight with my brethren over there in the Southeast who are about to starve to death, just about the same as I am, but I think that we are entitled to a differential under the Southeast, and I think that those fellows in the Southeast are entitled to a differential under New England.

Q. You wouldn't care to state the extent of it, would you, the extent of the differential that you would favor?

A. Well, I am sort of like the boy that had asked for a pair of shoes, and they asked him what size he wore, and he said anything betweeen a 7 and a 11, and we will take whatever we can get and be thankful for it.

Q. You recognize that no wage scale minimum can be set, regardless of the recommendation of Industry Committee No. 1, less than 30 cents after October, don't you?

A. Yes, sir.

Q. And you recognize, then, that there will be two differentials less than 30 cents?

A. Well, I think that maybe your Committee might have another meeting between now and October and decide to make the minimum forty cents.

Q. For the present, the present recommendations, we are dealing with the 32½ cent suggestion, and your recom-

mendation is that there be two differentials established within the 32½ cent maximum, is that correct?

A. My own personal belief from reading the statute, and from my work while in Washington when it was enacted, is that the Congress contemplated such.

Mr. Pitts:

That is all.

Re-Direct Examination.

By Mr. McKelvy:

Q. Mr. Miller, I want to show you this exhibit purporting to be taken from a report of the Bureau of Labor Statistics, about which Mr. Pitts questioned you. It shows here that in Texas in March, 1939, there was employed in the cotton goods manufacturing, 4535 employees, average hourly earnings in cents of 32.4 per hour; that in all other manufacturing industries in the State of Texas, there were 82,678 workers with an average hourly rate of 61.9 cents. I want to ask you what is the size of the petroleum industry in the State of Texas as compared with the cotton goods manufacturing industry

Mr. Pitts:

Just a moment. I want to make a statement there—that exhibit states on its face that the statistics contained therein are from the persons reporting to the Bureau of Labor Statistics, and it does not purport to be a complete number of the employees in Texas.

Mr. McKelvy:

And we will complete that information now with a practical witness from Texas who knows of those conditions first-hand.

Mr. Pitts:

Very well, with those observations.

The Witness:

The mineral production for Texas last year was so enormous that for the first time it became No. 1 in the States, in the value of its mineral production. The income last year in Texas from its oil alone was $800,000,000.

In sulphur, Texas produces, according to the statistics that I have seen, approximately 98 per cent of the sulphur that is used throughout the world.

By Mr. McKelvy:

Q. Do you know how the petroleum industry in Texas, so far as employment is concerned, compares with the petroleum industry throughout the balance of the United States?

A. From statements I have read in papers and statistics that I have seen, it is stated that Texas has the largest oil reservoir in the world, and as to the comparison of its oil with the oil from the other portions of the country, I wouldn't want to rely on my memory, because statistics are available, and I wouldn't want to hazard a statement there in which I might not be just exactly right. Those oil concerns run a day and they close down every Saturday and Sunday and shut off their oil production entirely, and they have their wells pinched down. For instance, a well capable of producing ten to fifteen thousand barrels of oil a day, they pinch it down and give it 100 barrels or 75 barrels a day, or maybe 150, or sometimes 200 barrels a day from a 15,000 barrel well. And they have to have their crews and overseers there attending to that, whether the well is in operation, or whether the refinery is in operation, and those men work a day and they are off a

day, but even on that basis, the oil production of Texas last year, pinched down to that extent, was $800,000,000, and they pay excellent wages.

Mr. McKelvy:

Mr. Administrator, I want to introduce into the record and ask that it be made an exhibit to Mr. Miller's testimony, Table 4 of the Bureau of Labor Statistics, Bulletin "Serial No. R-930" of March, 1939, the pamphlet entitled "Employment and Payrolls", calling specific attention to the average hourly earnings in the petroleum industry for the United States as being 97.3 cents per hour.

Administrator Andrews:

Is there any objection to the exhibit that was offered by Mr. Pitts, Mr. McKelvy?

Mr. McKelvy:

No objection.

Administrator Andrews:

Then, that exhibit offered by Mr. Pitts will be accepted in evidence.

(COMMITTEE'S EXHIBIT No. 26, Witness Miller, received in evidence.)

Administrator Andrews:

Now, are there any objections to the exhibit just offered by Mr. McKelvy?

Mr. Pitts:

No, sir.

Administrator Andrews:

Then, that document will be accepted in evidence.

(EXHIBIT No. 2 of the Small Textile Mills, Witness Miller, received in evidence.)

Administrator Andrews:

Do you recall, Mr. Miller, after I talked to you in Washington about the representation in the Southwest, that I conferred with Congressman Rayburn on the representation of Texas and the Southwest as to the Industry Committee?

The Witness:

I understood that you did. I remember that you tried to get me on the telephone on a Saturday, and then Congressman Rayburn tried to get me Sunday morning, and I was out at my country place and didn't get to talk to him until Sunday afternoon, and he told me that, in connection with his talk to me, and he assumed that your call to me was with reference to the selection of a member down there to represent the public.

Administrator Andrews:

Do you understand, Mr. Miller, that I, as Administrator, appoint the members of the Industry Committee?

The Witness:

Yes, I understood that he was supposed to, Mr. Administrator.

Administrator Andrews:

Do you want me to understand that it is your opinion that I appointed labor racketeers to the Industry Committee?

The Witness:

What I want to say in that respect, Mr. Administrator, is this: That our employees in my mills, for whom I was speaking, are not organized, and they don't belong to any

union, and they have been more than solicited. They have been urged and even threatened, according to some of their statements, to joint the union, and they have declined to do so. It has been represented to them that the Administration insisted upon their joining a union, and they have had all kinds of representations made to them. according to the statements that they have made to me. And, it is my understanding that about 80 per cent of the cotton textile workers are not members of any union. Whether my ratio there is right or wrong, I don't know, but it does seem to me that some representatives of their own workers, familiar with their own conditions and their own standards, should be selected, and that a member of that kind could render more dependable service than a man who had never spent a day working in a mill in his lifetime, who doesn't know a slasher from a loom and who has never been in one of the mill employees' homes to know what it looks like. I think that in justice to the overwhelming majority of the organized workers who do not want to be organized, and who do not want to pay dues, who do not want to have money taken out of their pay envelopes every week, that they should, in all fairness, have someone to represent them on this Committee.

Administrator Andrews:

But referring to the matter of the appointment of the members of these different committees, you don't want to feel that a matter of courtesy should be considered in making those appointments, do you?

The Witness:

No, I should say that your selections on this committee should be made as a matter of legal interpretation of the statute.

Administrator Andrews:

Are there any further questions?

Re-Cross Examination.

By Mr. Abt:

Q. You stated in reply to one of my other questions, did you not, that you didn't know any of the labor representatives on Industry Committee No. 1?

A. I do not.

Q. Do you even know their names?

A. I think maybe that I know one of them. Yes, I believe that I know one of them,—I am not sure, but I think I know one of them.

Q. What is his name?

A. Hillman.

Q. That is right. Now, do you know anything about the experience in the Textile Industry of any of the members of the Industry Committee No. 1, labor representatives?

A. No, sir, I do not. I don't know whether Mr. Hillman worked all his life in a mill, or whether he didn't,—that, I don't know.

Q. So, then, your statement, that in your opinion, that the employees should be represented by labor representatives who know something about a mill, and who had worked in a mill and who had seen a mill village, was made without any knowledge of the facts on your part as to whether or not any of the labor members of Industry Committee No. 1 had worked in a mill, had been in a mill, or had been in a mill village?

A. My opinion is not worth anything on this. My statement speaks for itself.

Mr. Abt:

Read the question, Mr. Reporter.

(Question read.)

By Mr. Abt:

Q. Is that correct?

A. Yes, sir, I will answer that question.

Mr. Abt:

That is all.

The Witness:

And it was also made in the absence of any knowledge on my part that any of those men were ever South of the Ohio River or West of the Mississippi River, or that they know anything at all about the living conditions, mill villages and any conditions relative to the people in the Southwest, and I will say that they are not competent to speak for them.

By Mr. Abt:

Q. Your trouble is—

A. Just a minute, are you attempting to lecture me now, or do you desire to ask me a question?

Q. I will ask you a question.

A. Well, let's have it then, and you can lecture me at some other time.

Q. Do you know of any member of the Labor Committee who is a member of Industry Committee No. 1, who has never been West of the Mississippi River nor South of the Mason-Dixon Line?

A. I have been told by the chairman of our Committee who has testified heretofore in this hearing, that none of the members of that portion of the Committeee have ever even been in a cotton mill in the Southwest.

Q. And where did that gentleman get his information, do you know?

A. Well, he happened to have been in this business for many years, and he has worked in mills down there all of his life. Furthermore, he is chairman of our Committee, and he testified here at this hearing.

Q. But where did he get the information that none of the members of Industry Committee No. 1, the labor members, had never been in a cotton mill in the Southwest?

A. I assume that he got that information in the meetings with them and that he had discussed it with them.

Mr. Abt:

I think that is all.

The Witness:

And before I leave the witness stand, Mr. Administrator, I would like to make this statement: That I don't want anything that I have said to be interpreted in any way, shape, form or fashion as being a reflection upon the Honorable William Green, the very capable and worthy successor of Samuel Gompers, whose statesmanship was never appreciated until the last four or five years.

Mr. Abt:

All right, I will have to ask you another question or two now.

The Witness:

I have no higher regard for any man that I have ever known on the American continent than I had for Samuel Gompers.

By Mr. Abt:

Q. Mr. Miller, you wouldn't want anything that you have said to cast any reflection on any man about whom you know nothing, would you?

A. Well, when you say "About whom you know nothing,"—you know you have to believe things that you see and read in the newspapers and articles that you see and read in magazines.

Q. But you have only named one of the labor members on Industry Committee No. 1?

A. Yes.

Q. And you don't even know the names of the others, do you?

A. Yes, that is right.

Q. Do you want anything that you have said to cast any reflection on any man that you don't know?

A. I have made the statements, and I stand on my written statement upon behalf of the employees in those textile mills that want representation or should have representation on that Committee, a representative of the unorganized labor, I think that they should have someone on there, some members who are familiar with the conditions in the Southwest in those mills to represent them on that Committee.

Q. By "These mills," you mean your own mills, do you?

A. That is right.

Mr. Abt:

Now, you can sign off.

TESTIMONY OF MRS. MARGARET MAGER—(2765)

Mrs. Mager testified that she was a resident of Nashville, Tennessee, and was a research Consultant and Statistician.

I attended the University of Chicago and was a research assistant in the School of Commerce and Administration there for a year, doing special research in the Institute of Meat Packing, that is, special research in the meat packing industry relating to marketing of packing house products, and also in the distribution of chain stores, marketing in chain stores, and prices in the chain stores, and that sort of thing. . . .

Well, in the past several years, I was with the Chamber of Commerce in Nashville, organized their research department, and then was research director for the Southern States Industrial Council for four years, and resigned from there in November and established a private research consulting service, in which I have been doing (2766) work for private industries, for banks, investment companies, railroads, radio stations, and I prepared the factual brief for the Southern Garment Manufacturers Association for presentation to Industry Committee No. 2. . . . . (2768)

This is a Factual Presentation in Opposition To The Reccommendation Of Industry Committee No. 1 on Behalf Of a Majority Of The Small Cotton Textile Mills of The South having less Than 25,000 Spindles. In the States of Alabama, Arkansas, Georgia, Mississippi, North Carolina, South Carolina, Oklahoma, Tennessee, Texas and Virginia.

Upon announcement of the recommendation of Industry Committee No. 1 that the Administrator of the Fair Labor Standards Act established a uniform minimum wage of 32½ cents in the textile industry, the small mills of the South, realizing the insurmountable handicap which such a

high minimum would place upon them, determined to present to the Administrator such additional information, relating to their particular operations, as they hoped would be convinced of the fact that such a high uniform rate would be practically confiscatory. A "Committee Representing Small Southern Textile Mills," was formed for the sole purpose of developing a case for this part of the industry.

This testimony, therefore, will be devoted to a factual presentation confined to the small cotton textile mills of the South in opposition to the recommendations of Industry Committee No. 1. The purpose is to emphasize to the Administrator of the Fair Labor Standards Act the conditions peculiar to this segment of the cotton (2769) textile industry. It is also proposed to show that this part of the industry will be unduly handicapped by the proposed 32½ cents minimum wage rate, recommended by Industry Committee No. 1, resulting in extensive unemployment. In addition, every effort will be made to answer the questions contained in the minority report, as to the probable effect upon small and marginal mills of an increase in labor costs. . . .

In the cotton growing states 537 mills or 69.3 per cent of all mills have less than 25,000 spindles and 238 or 30.7 per cent have 25,000 spindles or more; whereas, in the New England states, the large mills predominate (2770) with

only 40 small mills, representing 31 per cent of the total and 86 large mills or 69 per cent of the total. Thus, it can be seen readily that in point of number, the small textile mills predominate in the South.

Their position with regard to spindles can be seen from a special tabulation developed from the directory of the American Wool and Cotton Reporter, issued March 2, 1939, excluding inactive mills as far as possible, showing that there are 483 mills of less than 25,000 spindles, and 234 mills with 25,000 or more spindles in the South—which tho' differing slightly in number from the count of the Bureau of Census, because inactive mills were included, nevertheless shows practically the same percentage relationship of small and large mills.

The aggregate number of spindles in place in the small mill group is 5,709,164 spindles in place, representing 31.2 per cent of the total number of spindles in place in the South. . . . (2772)

. . . these mills of less than 25,000 spindles are scattered throughout 319 communities in the South, with 504 mills located in communities of 10,000 (2773) population or less and 259 of these located in communities of 2,500 and less. Thus, anything that would adversely affect the small mills would affect economic conditions in 319 communities in the South. . . .

Therefore, while these mills represent a minority as far as spindles and production are concerned, their relative well-being and ability to continue operation would have a far greater effect upon a larger number of communities and a greater percentage of the population than is apparent from simply considering the total spindle capacity as compared

with the capacity of all mills in the South. It is generally conceded, too, that in the majority of cases, these mills represent the chief industrial enterprise of the community in which they are located and provide the only opportunity that those in the surrounding agricultural areas have for supplementing rather meager farm incomes.

The aggregate population of the towns in which these small mills are located is 3,451,287, according to the Census of Population for 1930, or approximately 10.2 per cent of the South's total population including agricultural population. Thus, even though all of the population might not be dependent upon the operation of the textile mills of the various communities, nevertheless, it is safe to assume that a large proportion will (2774) be influenced by any condition that adversely affect the small cotton textile mills; and, again, though these mills account for a minority of the total spindle capacity of the industry in the South, 31.2 per cent, they, nevertheless, have a disproportionate influence upon the fortunes of communities in which they are located.

Not only are these small mills of peculiar importance to the small communities in which they are located but they also constitute the competition so vital to the American system. The tendency of legislation, such as the Fair Labor Standards Act, as was also true under the NRA, regardless of the intent of its sponsors, is to favor the big against the little with the ultimate result of the further concentration of both wealth and economic power. This tendency is the inevitable result of recommendations based upon the experience of dominating majorities whose natural course it is to make determinations upon the basis of that experience which affects the majority—disregarding or minimizing the problems peculiar to the minority. . . . (2777)

The question might be asked;—What is the basis for assuming that a minimum wage rate of 32½ cents will concentrate the industry in the hands of the larger mills? There are two evidences that point to this; first, that unless there is assurance that prices will increase to absorb increased labor costs, the small mills, reporting to this Committee are practically unanimous in their contention that they cannot continue to operate. (2778)

Many pointed to the fact that their overhead costs and labor costs are higher than is true for the larger mills, therefore, it would be impossible to absorb any increase in labor costs. While it was difficult, in the short time in which we had to develop this information, to secure what one might consider to be thoroughly representative figures on production costs, nevertheless, the following information may prove interesting though not entirely conclusive. Reports from ten manufacturers, for May, 1939, of coarse cotton yarns indicate that production costs per pound were as follows:

	Cents	Percent of Total Cost
Labor Cost Per Pound	4.96	23.8%
Overhead, supplies—Gen. Adm.	4.67	22.4
Raw Materials	11.18	53.8
Total Costs	20.81	
Average selling price	20.33	

Comparable figures from larger cotton yarn mills were not available and the only comparison that could be found was that from the reports of the Federal Trade Commission, covering a six months period, January-June, 1936. The following were the costs per pound for coarse cotton yarn reported in this publication: . . . (2779)

	Cents	Percent of Total Cost
Labor Cost Per Pound	5.93	23.6%
Overhead, supplies—Gen. Adm.	5.13	20.4
Raw Materials	14.06	56.0
Total Cost	25.12	
Average selling price	25.85	

Of course, a comparison of the different items of cost by cents is not particularly valuable since the information is for different periods, but the percent distribution of cost is significant in that we find that the per cent of the labor cost to total cost for coarse cotton yarn is parctically the same for the small mills as for the 35 relatively larger mills reported by the Federal Trade Commission.

However, the per cent of overhead expense for the ten small mills reporting was greater, being 22.4 per cent, as compared with 20.4 per cent in the larger mills.

Because of the competitive position of the yarn mills in the industry it probably is to be expected that labor costs would run very much the same. . . . (2780).

Reports from 25 small Southern manufacturers of drills, twills, jeans, sheeting, etc., May, 1939, reveals the following cost of production per pound:

	Cents	Percent of Total
Labor Costs per Pound	6.34	29.2%
Supplies, overhead and Gen. Adm.	4.83	22.3
Raw Materials	10.52	48.5
Total Costs	21.69	
Average Selling Price	19.90	

Comparing this with the Federal Trade Commission report for January-June, 1936 on 15 companies producing

similar products, it is found that the distribution of costs were as follows:

	Cents	Percent of Total
Labor Costs Per Pound	7.48	24.7%
Supplies, overhead and Gen. Adm.	8.84	29.2
Raw Materials	13.98	46.1
Total Costs	30.30	
Average Selling Price	32.23	

(2781)

In this comparison, the percentage relation of labor cost to total costs is much greater in the small mills than in the 15 relatively large mills reported by the Federal Trade Commission. The overhead costs are about the same proportion as in the yarn mills and the percentage of raw material cost for the small mills is slightly higher than that for the larger mills. It will be noted that in the reports from southern yarn mills and weaving mills that total cost of production is now reported to exceed the average selling price. This is in line with the statements made by most of the manufacturers reporting.

These manufacturers also indicate that increases in costs since the imposition of the 25 cent minimum last October have been absorbed by the manufacturer and have not been passed on to the consumer in terms of increased prices.

Reports from 92 small cotton textile manufacturers, representing 22.3 per cent of the active spindles in the small mill group in the South, indicate that since October, 1938, the average wage rate has increased 8.4 per cent.

In August, the average hourly wage rate was 28.6 cents, and for May, 1939, the average rate reported for the same mills was 31 cents. . . . (2782)

Employment has remained practically the same for the mills reporting, with a decrease of only nine-tenths of one per cent and average hours decreased from 37.3 hours per week in August to 37.5 in May.

Secondly, striking evidence of the concentration of the industry in the hands of larger mills is evident in the number of mills that have closed in the past year.

While it is difficult to determine exactly how many (2783) mills have been closed, reports were received covering 28 mills that were closed in the past year. In some cases, it was impossible to secure the information with regard to employees and the number of spindles, as well as the capitalization, but reports covering 26 of these mills indicated that the closing affected 5,404 workers and involved 360,000 spindles.

The capitalization for 16 of these mills was $3,857,500, thus, for one reason or another, approximately 5,500 workers were placed on the list of unemployed, forced to seek employment in other mills or in other occupations. Some indicate that they closed because of the effects of the Fair Labor Standards Act and others indicate that general conditions in the textile industry made it unprofitable to continue operation. . . .

These mills also feel that their case was not sufficiently stressed by testimony offered at the hearings prior to the recommendation of the Committee, Small mill operators are convinced that it will be impossible (2784) to continue operation under the rigid conditions imposed by so high a uniform minimum wage influencing the whole wage structure, and imposing an artificial wage set-up with no relation to productivity of workers, cost of living, transportation costs, relative skill and training of workers, and conditions peculiar to small Southern mill towns, particularly as relates to transportation and raw material facilities.

What Are the Problems That Face The Small Southern Textile Manufacturer:

The small cotton textile manufacturer is subject to and affected by practically all of the ills that burden the industry as a whole and, perhaps, is more deeply affected than are the larger mills.

In a consideration of the problems that face the industry, this brief will first discuss general conditions pertaining to characteristics of population, relative industrialization of the area, and general economic conditions that affect all business enterprise in the Southern States, which account for an economic order different from that in other sections of the country, and influence money earnings of all types of workers.

Characteristics of Southern Population: . . . (2785)

. . . we have changed from a country where 53 per cent of the people were gainfully employed in agriculture in 1870, to a country where only 21 per cent are employed in agriculture.

While this is true of the country as a whole it is significant of the type of economic structure of the South, and points to a difference between this and other sections that in the South approximately 50 per cent of the population is agricultural and 43 per cent of those gainfully employed are in agriculture as compared with 21 per cent for the country as a whole. (2786) Only 7 per cent of the New England population is agricultural, 6.5 per cent of the Middle Atlantic section and 17.7 per cent of the East North Central section.

This large percentage of farm population influences all phases of life and economic development in the South. It furnishes an abundance of workers who are anxious to get away from low paid agricultural employment and into in-

dustrial occupations where wages are much higher. Thus, there is a large reservoir of workers from which industry may draw; but, they are thoroughly untrained and unskilled, with no previous knowledge of industrial occupations necessitating long learning periods which add to labor costs.

Wages of farm labor in the South are much lower than in other sections as shown by reports from the Bureau of Agricultural Economics, giving farm rates per day in various sections of the Country, as of April 1, 1939. (2787)

	With Board	Without Board
New England Section	$1.73	$2.72
Middle Atlantic States	1.64	2.26
East North Central States	1.50	2.03
West North Central States	1.38	1.87
South Atlantic States	.84	1.14
East South Central	.78	1.02
West South Central	.92	1.18
Mountain	1.61	2.22
Pacific	1.96	2.66

Thus, manufacturers in the small rural communities of the South are in the position of paying much higher wages than the prevailing wage for workers in the community, whose wage scale is dominated by the influence of a disproportionate number of agricultural workers.

It will be noted also from Table V above, which is the table that has just been read,—that farm wage rates also reflect differences in wage rates between the South and those in other sections of the country. Similar differences in wages between the South and other sections have been established by the Social Security Board in administering funds for old age assistance. (2788)

It is found that the average amount alloted recipients is uniformly lower in Southern States than in other parts of the country.

For example, in Region 5, which includes Kentucky, Michigan and Ohio, it is found that for January, 1939,[1] the average aid per recipient was $8.71 for Kentucky, as compared with $17.04 for Michigan and $22.58 for Ohio. . . .

The competition of agricultural labor apparently also influences the earnings of employees on WPA projects.

As has been pointed out in previous hearings, there is wide variation in rates of pay for workers employed on WPA projects in various sections of the country. Administrative Order No. 67, of the WPA, issued April 11, 1939, divides the country into three (2789) major regions, establishing in each region different rates of pay, not only for four recognized classifications of work, but varying the pay in accordance with the size of the community. Thus, in Regions II and III, which cover the South, the monthly earnings for unskilled workers are $32.00 and $26.00 respectively, as compared with $40.00 in other regions. Table VII.

In the Report of Progress of the Works Program Industry, 1937, which reports earnings of persons employed on WPA projects, by states, cumulative through October, 1937, it is shown that average hourly earnings ranged in the South from 24.4 cents an hour in Tennessee to 35.3 cents in Louisiana and that, for the Northern States, the average hourly earnings range from a low of 37.2 cents in Vermont to a high of 70 cents in New York City.

The average hourly earnings in the South were 29.2 cents, in the North, 55.7 cents. Thus, the Southern average was 52.4 per cent less than the average for the northern states. In this connection, it is interesting to note that in the State of Minnesota, which has practically the same population as the State of Tennessee and in which the degree of urbaniza-

tion (2790) is much the same, the cumulative average wage through October, 1937, was 51.2 cents an hour, as compared with only 24.4 cents in Tennessee.

Since the question has come up at this hearing as to how these rates were set a word might well be said here about the basis and manner in which they were established.

Quoting from Mr. Harry L. Hopkins the man who had charge of setting the rates in a statement before Sub. Committee of the Committee on Appropriations, House of Representatives, P. 107:

> "This order established schedules of monthly earnings for four different regions of the country with earnings varying within each region according to degree of urbanization of each county and according to the degree of skill required for various kinds of work. The several states were grouped under four regions on the basis of general wage levels and cost of living. The degree of urbanization of each county was to be determined by the 1930 population of the largest municipality within the county."

Quoting again from Page 108 of the same source:

> "These variations were due not only to the different levels of wage rates specified in the (2791) established schedule for these regions, but also to the varying importance of the other components of the wage rate differentials. Outstanding among the latter is the variation in wage rate provided for workers assigned to work requiring different degrees of skill and experience."

Differentials In Minimum Wages In Government Contracts:

These differences in money wages have also been recognized in the setting of minimum wage rates to apply on government contracts under the Walsh-Healey Act. Thus far, different minimum wage rates for various sections of the country have been set in six industries, as follows: granite, men's underwear, luggage and saddlery, iron and steel, furniture and paper.

The rates set and the sections to which they apply are shown in Table VIII. The Public Contracts Board in the order issued by Acting Secretary of Labor C. V. McLaughlin, on January 16, 1939, applying to the iron and steel industry, made this observation:

TABLE VIII

Industry	South	Midwest	New England	West Coast	Remaining States
Luggage & Saddlery	37.5c	37.5c			40.0c
Granite	32.5		37.5c		42.5
Furniture	30.0			30.0	35.0
Men's Underwear	32.5				35.0
Paper and Pulp	35.0			30.0	40.0
Iron and Steel	45.0	58.5*		60.0†	62.5

Source: From wage determinations of Public Contracts Board, United States Department of Labor.

* Includes North Dakota, South Dakota, Nebraska, Kansas, Minnesota, Iowa, Missouri, and area in and about East St. Louis.

† Includes Washington, Oregon, California, Montana, Idaho, Nevada, Wyoming, New Mexico, Utah, Colorado, Arizona.

Exhibit No. 9, Committee of Small Textile Mills

R—(2791)

"This Southern area historically constitutes a well-defined geographical area and the prevailing wages in this area as shown by the evidence in the record, supports

the conclusion that the entire group of Southern States should be treated as one locality for the purposes of the present proceeding." . . . (2792)

The existence of differentials in many phases of employment in the South has been pointed out simply to show that differentials are reflected in wage rates in all types of occupations, and until such a time as uniformity can be established in all of the circumstances affecting production, distribution, and consumption in all parts of the United States, a uniform wage standard may result in a sudden and disturbing realignment of industry, likely to cause tremendous loss of capital to the South, and probably throw out of employment many thousands of workers who would lose their jobs either because of the closing down of plants, or because employers, in order to compete, would be forced to increase the use of mechanical equipment. . . . (2794)

Another factor contributing to differences in wage rates in various localities is the difference in living costs. This in turn may reflect differences in living standards which are dependent upon the facilities for production. There has been much discussion and argument about what is the actual difference in living costs between the South and other sections.

Government statistics on cost of living, as revealed in the cost of living studies by the Bureau of Labor Statistics, U. S. Department of Labor, and the WPA (2795) studies on "Intercity Differences in Cost of Living", primarily covering the larger cities, show that the cost of living in the highest cost cities in the South is approximately nine points lower that that for cities of similar size in the rest of the country, and the cost of living in the lowest cost cities in the South is eight points below the lowest cost cities in the rest of the country.

Cost of living in the large cities in the South as of December 15, 1938, and as shown in Table IX, expressed in terms of an index based on the cost for Washington, D. C., ranges from 78.7 in Mobile to 91.1 in Atlanta, as compared with a low of 86.7 in Indianapolis and a high of 100.4 in San Francisco.

A more recent study of the Bureau of Labor Statistics, comparing cost of living in five small Southern cities with five Northern cities of similar size, purports to show that the average cost in the five Southern cities was 3.1 per cent lower than for the five Northern Cities. . . . (2796)

It must be borne in mind in considering this study that the cost of living as reported by the Bureau was made upon the basis of identical living standards in the South and the North. In this connection, there may well be some question as to what criterion was used to determine the standard of living that should apply to each section.

An analysis of the reported cost of living based upon goods customarily purchased seems to indicate that an arbitrary decision was made as to what standard should apply in the two sections, and this was the basis upon which the small difference of 3.1 per cent was based. In terms of goods customarily purchased annually by families in the five Northern communities and the five Southern communities, it is found that the average cost for the five Southern cities is 1,075.00 as compared with 1,387.00 for the North.

Thus, on the basis of what is actually bought by (2797) the Southern and Northern families, cost of living in the South for families in these communities is 22.5 per cent less than for those in the small Northern cities. . . .

Corroborating the findings of the Bureau of Labor Statistics with regard to differences in rental costs, which also reflect differences in construction costs of (2798) residences, are figures given in the engineering News Record for June 30, 1938. In the three Southern cities shown, construction costs for residential building is uniformly lower than in other cities. . . . (2800)

Vital considerations in determining the effect of a price increase on consumption are, first, whether the purchasing power of the consumer will be increased, enabling him to purchase commodities at higher prices; . . . (2801)

But, how is it to do this for the South, if only a minority of the South's workers come under its jurisdiction? The Fair Labor Standards Act specifically exempts those employed in local retailing and trade, as well as in agriculture, in domestic occupations, and in other occupations related to agriculture. An analysis of the occupational characteristics of the Southern population shows that of those gainfully employed in the South, 42 per cent are employed in agriculture, 10.4 per cent in domestic and personal service, 9.2 per cent in trade, and smaller percentages of workers in other fields, as shown in Table XI, totalling at least 67.2 per cent of the South's workers who are not included under the provisions of the Act, with only 19.0 per cent employed in manufacturing and mechanical industries, and 6.4 per cent in transportation and communication, the major classifications included uder the Act.

Thus, of those earning the living for the population of the South, 67.2 per cent have not had and will not have their earnings increased by the Wage and Hour Law but they must pay more for the commodities that they buy. (2802)

Cotton textile workers comprise only about three per cent of all gainfully employed in the South, and represent approximately 15 per cent of all those employed in manufacturing and mechanical industries.

Thus, a relatively small proportion only of the workers of the South are directly benefited by the provisions of the Fair Labor Standards Act increasing earnings and reducing hours; but, many thousands will be adversely affected through price increases in the vital necessities of life. By increasing the cost of manufactured products to the public, the law will operate not unlike a tariff, so that those not covered by the law, such as the farming industry, will find themselves at a further disadvantage, in that they will have to pay higher for the things they must buy.

Since agricultural workers comprise such a large percentage of all Southern workers, and they will not receive any direct benefit from increased wages under the Fair Labor Standards Act, a review of the factors indicating the purchasing power of agriculture in the South emphasizes the inability of this group to absorb any increase in the prices of the products that they buy.

With slightly more than 50 per cent of the entire farm production of the country, the South, in 1938, (2803) accounted for only 29.4 per cent of the cash farm income and government payments.[1] . . .

The average productivity for the United States as a whole per farm worker was $1063; for the Northeast, $878; for the Middle Atlantic States, $1438; for the Northwest $2044; as compared with $552 for the Southeast and $1160 for the Southwest. Table XII. . . . (2804)

As compared with other sections the income level of farmers in the South is much lower; for, while 76 per cent of the farm families in the Southern region were in the income level ranging from $250 to $1,250 annually, only 54.9 per cent of those in the Central Region, were in that class.

In the Southern region, there was a concentration of 20.7 per cent at the income level between $250—$500, and 23.8 per cent at the income level of $500—$750 with concentrations in New England of 17.4 per cent in the $750—$1000 class and 18.5 per cent at $1000—$1,250. . . . (2806)

Perhaps the most recent and most representative data on consumer income in manufacturing and related occupations are the statistics released on April 10, 1939, by the Social Security Board showing average wages received by employees in the employments covered, during 1937 by states.

The average for the United States as a whole per employee was $890, for New England $902, Middle Atlantic $1,013, East North Central $1,020, West North Central $778, as compared with $671 for the South Atlantic States, $603 for the East South Central States, and $676 for the West South Central States.

The average for the South is $659, which is 74 per cent of the average for the country as a whole and only 65 per cent of the average for the Middle Atlantic and Northern states in which the industry of the country is centralized.

It is also interesting to note that in the Southern region, 72.8 per cent of the wage-earning families (non-relief) were in the income level of from under $250—$1,250, with concentrations at from $250 to $1000 during a 12-month period in 1935-36.[1] . . . (2807)

In the New England States, 51.5 per cent were in this classification, and in the North Central States, 49.1 per cent, both with concentrations at from $750—$1,500 income levels. . . . (2810)

Competition From Importation of Cotton Cloth and From Substitutes:

In 1938, imports of cotton cloth for consumption amounted to 55,723,259 square yards as compared with exports of 319,634,000. In other words, our exports were approximately five and one-half times as great as our imports. Table XVII.

However, in 1937, imports of countable cotton cloths were 183,849,852 square yards as compared with exports of 236,251,000 square yards, with exports amounting to approximately one and one-half times imports. The large decrease in imports during 1938 is, in part at least, attributable to a decrease in imports from Japan, for cotton cloth imports from Japan fell off heavily during the Chinese conflict, but are once again on the rise.

In February of this year they were running at approximately the 1936 rate. As production costs increase in this country, there is bound to be greater (2811) competition from such low cost of production countries as Japan. . . .

While it is true that imports of cotton cloth for consumption have been small when compared with domestic production and exports, nevertheless the danger in increased importation of cotton cloth from other countries lies in the fact that this indicates a growth of the cotton goods industry in these countries.

During the War, the rise of costs and prices in the cotton goods industries in Europe and the United States greatly stimulated cotton goods production in countries that had been buying such goods in Europe and in this country. The increase in costs and in prices during NRA, 1933 to 1935, started an alarming stream of Japanese goods into the United States.

Furthermore, not only Japan but many of the other countries which once bought goods from the United States now are making cotton goods at much lower cost than they can be produced in the United States. . . . (2814)

Substitutes for Cotton Goods:

Perhaps of greater significance, as far as imports are concerned, are importations of substitutes for cotton products, such as imports of jute. In 1937, the total jute imports for consumption into the United States were 1,076,211,000 pounds. Of this amount, 810,526,000 pounds were manufactured and came into this country in the form of burlap bags, bagging, weaving, carpets, etc. In other words, in 1937, importation of manufactured jute comprised approximately 75 per cent of the total jute importation.

In 1938, while there was a smaller total jute importation, manufactured jute comprised approximately 86 per cent of the total importation. Thus, while (2815) there was a noticeable decrease in the total importation of jute, nevertheless, manufactured jute, which competes with American cotton products, was not reduced to the same extent as was the importation of unmanufactured jute.

Of this total manufactured jute, 68.6 per cent, Table XXI, is made up of burlap, which competes directly with various types of coarse cotton goods, and is a particular

threat to the Southern States, since 98.2 per cent of Ospaburgs are produced in the South, constituting the chief cotton product with which jute products compete.

So much of a threat is importation of jute, not only to the textile industry but to the cotton industry as well, that Southern Congressmen and Senators have brought up the question many times in Congress. . . .

(The reference is as follows:

1. Congressional Record, April 9, 1938, Page 5133.) (2816)

"The importations of jute in this country have increased from 543,585,678 pounds in 1932 to the staggering total of 1,076,220,311 pounds of jute in 1937. The domestic market of the cotton farmer is being gradually taken away from him due to the solicitude of the Congress for the Jute Trust. . . ." . . . (2818)

Any increase in the cost of production in the cotton textile industry will further intensify the competition between cotton and jute in the production of bags for containers. Even now, jute bags have the edge over cotton bags as to price, and with a further increase in production costs, the spread between the prices of jute and cotton bags will probably cause a decrease in the consumption of cotton bags which inevitably is reflected in a decrease in the use of raw cotton . . . (2820)

In addition to competition from jute, there is also competition from paper bags. It is significant to note that cotton bags have been displaced by paper bags for use in the

shipment of cement. In 1925, 83.6 per cent of all shipments of cement were in cotton bags, as compared with 9.7 per cent in paper bags and 6.7 per cent in bulk.

In 1936, only 37 per cent of cement shipments were in cloth bags, whereas shipments in paper bags had increased to 42 per cent and shipments in bulk to 21 per cent. If production costs in the textile industry increase, competition with paper products will be even more keen. . . . (2821)

The effect of this decrease in use of cotton bags upon the demand for osnaburg is shown by the following quotation from the study referred to above:

> "In terms of cotton osnaburg, from which virtually all cotton cement bags were made, the decreased use of cotton bags in this industry meant a reduction from the equivalent of 30,000,000 pounds, or 56 per cent of the total production of these fabrics in 1925, to 5,000,000, or 9 per cent of the total production in 1935."

From a statement made up by Mr. J. F. Amos, of Selma, Alabama, relating to Paper Versus Cotton and Cotton Products, may we quote as follows:

> "The kraft paper production in the United States, in 1916, is reported as 171,000 tons, which is equal to 342,000,000 pounds, or, reduced to (2822) bales of cotton, 684,000 bales. The production in 1936 was 1,952,000 tons, equal to 3,904,000,000 pounds, or, reduced to bales of cotton, 7,808,000 bales. In twenty years, the production of kraft paper alone to say nothing of paper board, has reached the point where the production is very much in excess of the entire consumption of cotton."

"For producing pulp, outside of the wood, required $10.00 per ton. For producing paper, $16.00 a ton; a total of $26.00 per ton, which includes all materials necessary for each process. At this cost, it must be evident the labor factor is very small."

"This compares with the per capita production of 5.35 yard 38½ inch print cloth at about 25 pounds per day. To produce one ton of cloth, on this basis, would require 80 cotton mill operatives. At $2.40 per operator, the daily cost of producing a ton of cloth, so far as labor is concerned, would be $192.00. In this sum is not included anything for operating and maintenance, supplies, power, overhead expenses, etc. This compares with $16.00 a ton for all costs of making paper from the pulp, including labor and material to produce the paper, but not including the cost of the wood."

(2823) "It is estimated from the foregoing figures that the production of paper from pulp requires 8 per cent of the labor that is required to produce cotton cloth from cotton. On this basis, for every 80 cotton mill operatives employed, an equivalent employment in paper mill operatives would be 6.4 which in my judgment, is greatly in excess of what are actually employed, and this condition of affairs is one of the saddest commentaries on the matter of the substitution of paper for cloth." . . .

(2825) The fact that the South leads the country in the production of cotton textiles has been brought out time and again in other hearings. Suffice it to say that the South has about 72 per cent of the spindles in place and that, in terms of value of products, it is responsible (2826) for 75.5 per cent of the cotton woven goods, 75 per cent of cotton yarn

and thread and, including all types of textiles, represents 37.3 per cent of the total production for the United States.

In terms of wage earners, the South employs 75.5 per cent of all wage earners in the cotton woven goods and 79 per cent is the cotton yarn and thread industry, employing 43.4 per cent of all wage earners in the whole textile industry.

Since these points have been stressed before, there is no need to reiterate, however, there is one point in this connection that should be emphasized especially in any consideration of wage rates. Average wage rates in the cotton goods industry and its various divisions have been comprehensively covered in the U. S. Department of Labor Bulletin No. 663, but it is important to call attention to this fact—that in analyzing these average wage rates the composition of the textile industry in the South as compared with that in the North should be borne in mind. . . .

(2827) However, in the South the woven goods industry comprises, in terms of value of product, 71.9 per cent of the cotton goods industry for the section—while in the North cotton woven goods account for 54.3 per cent of the total. The dyeing and finishing industry comprises 27.1 per cent of the industry is the North, whereas in the South it comprises only 8.2 per cent of the cotton goods industry.

This is especially important in view of the fact that average wage rates in the dyeing and finishing industry are higher than for other branches of the cotton textile industry. In terms of wage earners and wages, the dyeing and finishing industry comprises an even smaller proportion of the total cotton textile industry in the South.

Wage earners in this industry account for only 5.2 per cent of all wage earners, and wages 5.8 per cent. In the

North, 23 per cent of the wage earners in the industry are employed in dyeing and finishing and they receive 28.5 per cent of all the wages paid in the cotton goods industry in that section.

That is a very important distinction to make, for not only does it influence the average wages of the industry as a whole in the South but, as will be brought (2828) out later, it also has a profound influence on the competitive position of Southern mills, especially of small mills as compared with those in the North.

To emphasize the effect which differences in the average wage rate in the various branches of the industry may have upon the average for the industry as a whole, one need but review the average rates as they have been prepared by the Bureau of Labor Statistics.

For example, average earnings in the cotton goods industry, as of August, 1938, were 44.58 cents per hour in the North and 36.54 cents per hour in the South, a difference of 8.04 cents. In the spinning division, for August, 1938, independent mills in the North averaged 40.2 cents an hour, and in the South 31.8 cents, a difference of 8.4 cents.

In the integrated mills of the spinning division, the rate was 40.1 cents in the North as compared with 34 cents in the South or a difference of 7.1 cents; in the dyeing and finishing, representing the average hourly rate for 1938, the rate in the North was 58.6 cents as compared with 40.9 cents in the South, or a difference of 17.7 cents.

Since the North has more dyeing and finishing establishments than the South and it represents a larger proportion of the total industry, it can be seen (2829) readily that the high average wage applicable to this industry has a

big influence on the average rate for the whole industry in the North. Even in comparison of average hourly wage rates in various divisions of the industry, the element of composition of that particular branch is important since there is a difference in the types of products produced in the dyeing and finishing plants of the South as compared with the finer products produced in the Northern part of the industry. (2830). . . .

In an effort to arrive at some idea of how this would affect the small mills, questionnaires were sent to all mills of less than 25,000 spindles is the Southern States. Returns were received from 98 mills, with a total spindle capacity of 1,151,537 spindles, or an average size of 11,750 spindles. These mills represent 22.3 per cent of the active spindles in the small mill group and in point of number of all mills in the small mill group represent 20.3 per cent of this class of mills in the South. . . . (2831)

On the week ending May 20, 1939, these mills employed 21,269 as compared with 21,452 workers in August, 1938, a decrease of nine-tenths of one per cent. The average hours per week for the period indicated in 1939 were 37.5, as compared with 37.7 for August a year ago, and average hourly earnings were 31 (2832) cents as compared with 28.64 cents, or an increase of 8.4 per cent, after the establishment of the 25 cents minimum wage. Hourly rates range from an average of 27.6 cents an hour in Mississippi to 34 cents in South Carolina.

The important thing to consider in comparing the average hourly earnings of this small mill group is the difference in wages as between this group and the total for the whole industry in the South as arrived at by comparing the aver-

age hourly rate in August as reported for the South in Bulletin No. 663, and the average hourly rates as reported by the small mills.

As stated above, the average hourly rate for the small mill group in the South for August, 1938, was 28.6 cents and for the industry as a whole in the South, the Bureau of Labor Statistics reports an average hourly rate of 32.6 cents or a difference of 8 cents, which is practically the same difference as between the average for the North and the South. Thus, not only is there a difference as between sections but there is a difference as between large and small mills within the South.

With regard to distribution of earnings and concentration of earnings at any particular point, it is interesting to note that 44 per cent of the workers were within the wage group of from 25 to 27.5 cents. (2833).

This compares with a concentration of 16.3 per cent within or below that group for the Southern mills, as of August, 1938, as reported in Bulletin 663, Table 52, Page 84. This presumably includes both large and small mills. Including these in the higher average wage brackets, 44.2 per cent of Southern employees average 32.4 cents or below, according to a report for August, 1938, by the Bureau of Labor Statistics.

In May of this year, 75.3 per cent of the employees in the small mills reporting to the Committee representing Small Southern Textile Mills averaged 32.4 cents an hour or less. (2835)

It is possible to determine rather accurately the (2836) effect upon those now receiving below the minimum suggested, and, in the case of the small mill group, this will in-

clude a majority of the workers, if the proposed rate is put into effect, since 75.3 per cent of the workers receive less than 32½ cents an hour. As determined from a distribution of the workers, 44 per cent will receive increases of 6.3 cents, or a 24 per cent increase; 9.4 per cent will receive an increase of 3.8 cents, or 13.2 per cent; and 21.9 per cent will receive an increase of 1.3 cents or 4.2 per cent.

What would this mean if applied to the payroll of small mills as reported for the week end May 20, 1939?

There are several ways in which the effect on the total payroll of the 32½ cent minimum can be figured. Applying to the actual figures of the number of workers and average hours as reported by the small mill group, the average increase necessary per hour to increase these below the minimum develops an increase in the total payroll of 11.1 per cent. Then, arbitrarily assuming a 15 per cent increase in the wages of those now receiving from 32½ cents to 40 cents, the total increase would be 13.5 per cent. (2838). . . .

In the small Southern mill communities it has been a practical necessity for the mill to furnish living quarters for employees. As a rule rents for these accommodations have been on the basis of cost without profit to the mill.

Seventy mills, of the small mill group reported that they provide some company-owned housing for their employees. The average monthly rent per room as reported by these 70 mills was $1.25. Comparable housing, which was not owned by the company was reported by 67 mills to average $3.14 per room per month. Thus, housing provided privately in the mill communities averaged (2839) two and one-half times the charge for the company-owned property. Sixty-one mills reported that sufficient non-company housing

for their employees was not available within a convenient distance of the mill. Generally water is furnished by the company as well as a certain amount of electricity. This housing provision constitutes a definite saving to the employee and should be considered in arriving at a minimum wage. At the average rate of $1.25 per room per month the annual rental bill per family would be $65.00 as compared with $165, as reported customarily paid by 5 small Southern cities included in the Bureau of Labor Statistics' study. (2840). . . .

Forty-one per cent of the 98 replying indicate that their goods are finished in the East; 20 per cent said they were finished locally and 20 per cent stated that (2841) their goods were not finished, but were sold in the gray.

In discussing this matter with various mill men, it was stated that this involved a loss to the Southern mill in that it created a middle man expense that would be unnecessary if the Southern mills could finish their own products. It also made it more difficult for the small manufacturer to adjust himself to market changes. (2843). . . .

. . . practically all of the heavy machinery used in the industry is manufactured in New England. Also, most of repair parts for this machinery are made in New England. While the item of freight on repair parts is not very large, nevertheless, it creates so much delay, that it is necessary for Southern mills to carry a large stock of machinery supplies, thus adding to overhead costs. . . .

According to reports from small Southern mills, a major portion of their production is distributed in the population centers of the East. These reports, weighted by the number of employees in each mill, indicate that approximately 57.7

per cent of the product is distributed in the East, 18.5 per cent is the South, 18.3 per cent in the Middle West, and 4.9 per cent in the West.

In the eastern markets are concentrated the selling agencies for the Textile Industry, accounting in part, at least, for the flow of goods from the South to (2844) the East, and from there to be distributed to the population centers of the North and West. (2845). . . .

The Eastern market, including New England and Middle Atlantic States, is the chief market reached by the small mills and represents the greatest concentration of purchasing power in the country. With a land area one-fifth the size of the Central and Middle Western market, it contains 28.1 per cent of the population of the country, and in 1935 accounted for 33.7 per cent of all retail sales. The Central and Middle West Market, with a land area five times as great has 31.4 per cent of the population of the country and 32.2 per cent of all retail sales for 1935 were made in this area. (2848). . . .

The financial condition of the industry is reflected in the operation of the small mill just as it is in that of the larger. Over a period of years, as has been pointed out in other hearings, profitable years in the industry have been relatively few.

Since 1916, there have been at least 7 years in which the industry as a whole has shown a deficit according to the annual reports of the United States Treasury Department. In addition, there have been a number of years in which profits have been very small. (2847). . . .

Of 78 mills furnishing data concerning the results of last year's operations, 15 reported that they showed a net profit,

TESTIMONY OF MARGARET MAGER (T. 2850)

The witness, a resident of Nashville, Tennessee, stated that she was a research consultant and statistician. She testified on cross-examination as follows:

Cross-examination by Mr. ABT:

Q. Mrs. Mager, I assume that you have been retained to testify here as an expert; is that a proper assumption?

A. Yes.

Q. And by whom?

A. By the Committee representing the small Southern—or a majority of the small Southern cotton textile mills.

Q. Now, you have referred throughout your testimony to what you call "small mills," and you have defined them as mills having 25,000 or less spindles?

A. That is correct.

Q. On what basis do you choose the appellation "small mills" for mills of that category?

A. That classification was arrived at in this way, it was arrived at in a discussion of the subject with a number of small mill men who were thoroughly familiar with the sizes of mills, and with what they considered to be comparable operations in each size of mill.

And I simply took that classification, feeling that they knew more about that part of it than I did.

Q. In other words, a group of mill owners decided to call themselves "small," if they had less than 25,000 spindles?

A. No; that is not so. The group discussed the size of mills that would be indicated as small, and under that discussion it was developed that the majority felt that a

mill that was of less than 25,000 spindles would be a relatively small mill. They did not decide to call themselves especially "small mills."

Q. Now, Mrs. Mager, to how many mills, in your State did you send copies of your questionaire?

A. 483.

Q. And you got 98 returns?

A. Yes, sir.

Q. About a 20-percent return?

A. Yes, sir; that is right. Had we had more time I am sure that we could have gotten a better cross-section.

Q. Now, in your definition of the small mill, I gathered that you gave consideration only to the physical characteristics of the mill. In other words, any mill which had under one roof, or in one yard, 25,000 spin-

dles or less, was classified as a small mill, is that correct?

A. That is right.

Q. Did you give any consideration in that classification to the question of financial structure of that mill?

A. No. Now, the group discussed and considered the various points in determining what comprised a small mill, no doubt, in their own experience and in arriving at the suggestion that the mills under 25,000 spindles be included, but I, myself, didn't give any particular study to that.

Q. Well, let me put it this way:

Have you any information as to the number of so-called small mills to which you sent questionnaires, which are under common ownership?

A. No; I have not.

Q. And you gave no consideration in your classification to the question of common ownership?

A. No, sir.

Q. But solely to the physical characteristics of the mill, is that right?

A. That is right.

Q. You stated that 69 percent, I believe, of all of the mills in the South are mills of 25,000 spindles or less?

A. That is right.

Q. Again, you gave consideration only to the physical characteristics of the mill?

A. Yes, sir; just as the Department of Commerce did in their count of the mills.

Q. And you have no information as to the number of these mills which are under common ownership?

A. No, I do not.

Q. In other words, it would be possible that a single owner may have owned, let us say, ten of those mills, with 25,000 spindle capacity each, so that that mill owner

had under single ownership, management, and control, 250,000 spindles?

A. It is of less than 25,000 spindles, not 25,000—yes, that is right.

Q. Well, we will say, then, 24,900 spindles?

A. No, you said 25,000, and it is less than 25,000.

Q. Now, I think in citing the figures with respect to small mills in the South, you had two sources of information. I don't recall the particular sources, but as I remember your testimony, one source was the count of all mills whether in operation or not, and the other was a count of all of those mills which are actually, or were actually in operation at the time the count was made, is that right?

A. As I said, excluding, so far as possible, those that we knew were inactive.

Q. And I think that you stated that the result was the same, or substantially the same in each case, that is to say, that in each case, that 69 percent of all Southern mills were small mills?

A. That is right.

Q. Does not the fact that the percentage is the same in both cases, that is, when you include closed mills and when you exclude closed mills, at least suggest the conclusion that the rate of mortality among mills is substantially the same in the case of the so-called small mill as in the case of the larger mills?

A. Well, it might, yes; with this reservation: That as I have stated, this count, not the Department of Commerce Count, but the one that we made from the Wool and Cotton Report, may have included some inactive mills. You see, this publication, I think, was as of March—I don't recall exactly, but it was early in the year, and that may have had some influence, and we

were not able to write to all of them and say "Are you active now?"

Q. Well, I am not pressing that point——

A. Yes, sir; but there might be some elements of error in that regard, and with that reservation.

Q. You stated that this 69 percent of Southern mills of a spindleage of less than 25,000 represented 31 percent of the entire Southern spindleage?

A. Yes, sir.

Q. And in terms of employees, what percentage of the total number of the total number (sic) of the employees in the South is represented by the employees in such mills?

A. I can't give you those figures, because the only thing we could get was the number of spindles in a breakdown of the small mills. I wish I had had that, but I couldn't get it. The only thing I got was the number of mills in the group that reported to us.

Q. I think that you suggested, Mrs. Mager, that one of the results which might be anticipated from the approval of a 32½-cent minimum wage was the growth of a monopoly condition in the textile industry, is that a correct statement?

A. Yes, sir.

Q. Do you, as a research statistician and research worker, seriously believe that there exists any real possibility, or any imminent possibility of the growth of monopoly in the textile industry?

A. In the United States?

Q. In the United States.

A. I feel this—I said this—that there was a tendency toward concentration and monopoly, and I feel if through legislation or some other means, costs are increased, or by some means, the smaller mills go out of business, that then that production will be absorbed by the larger manufacturers, and that possibly can be ab-

sorbed by them. I wouldn't say that they would have to add a great deal to their equipment, and that sort of thing, but I believe it can be absorbed by them, and that would tend toward concentration in the industry.

Q. You wouldn't state that such a thing as the approval of a 32½-cent minimum wage could be anticipated as having the result of creating a concentration in the industry, even approximating the concentration that exists in the automobile, steel, farm machinery, cement or other similar industries?

A. Those industries are pretty thoroughly concentrated already, and I said that there would be a tendency toward a concentration.

Q. Might I suggest this to your statement, and after I make the suggestion, you can qualify it if you like: So your statement comes down to this, to the extent that small mills may be forced out of business, that business may be absorbed by other mills, and after the passage out of business of the small mills, it will, therefore, concentrate the business into a smaller number of units than had previously been true—is that correct?

A. Yes, sir; I think that is correct, I think that is a correct statement.

Q. Don't you believe as a matter of fact, Mrs. Mager, that one of the greatest ills in the textile industry, and a source of many of its difficulties at the moment, is not the present existence or future threat of monopoly, but, on the other hand, quite on the contrary, it is over competition.

Mr. McKELVY. Mr. Administrator, I should like to make this observation at this point—I have no objection to the witness answering the question if she knows, but she has not qualified as an economist, and I doubt if she can do more than merely give her opinion in reply to the question asked.

Mr. ABT. My question is asked her in view of her own statements as to the possible effects.

Mr. MCKELVY. If she can answer it from that particular point of view, all right.

The WITNESS. If I can answer it, I will say so.

Will you please read, or restate your question, Mr. Abt?

Mr. ABT. Will you read it to her please?

(Question read.)

The WITNESS. Well, I have heard the mill owners express that point of view, but it seems to me that since there isn't, of course, the monopoly evident in the textile industry as in those industries that you have just pointed out, then, that perhaps that same competition would continue to exist even though there might be a greater concentration in the relatively higher or larger mills. I think it might probably still exist, and they wouldn't get away from that cut-throat competition.

By Mr. ABT:

Q. I think that you stated that, summarizing the answers to one of the questions in your questionnaire, the reporting mill owners stated that unless prices increased, they would not be able to continue in business?

A. That is right; that is the majority; the general trend was that way.

Q. And I take it that you, as a statistician, would not care to make any prediction as to the possible future course of cotton textile prices?

A. No sir.

Q. Do you, however, as a statistician recognize, Mrs. Mager, that month-to-month variations in the cost of textile prices due to changes in the price of raw cotton and possibly to other factors, have, in the past been substantially greater than any change in price which can be anticipated as a result of the 32½-cent minimum wage?

A. Frankly, I don't think that you can anticipate what the increase in price is going to be, and I wouldn't attempt to answer that, because I couldn't say what that would be.

Q. I think that you stated that your study showed that labor costs were higher in mills of less than 25,000 spindleage, than in larger mills; is that correct?

A. Yes, with the qualification that I made there, of the number of mills that reported, and feeling that that might not be thoroughly conclusive.

Q. I am not exactly sure of the basis on which you arrived at that result. Let me tell you the basis that I think you used, and ask you if that is correct.

A. All right.

Q. You took the percentage of labor costs reported by these mills answering your questionnaire, and you compared that percentage to the percentage reported by the Federal Trade Commission in its study, is that right?

A. That is right.

Q. And you used as the Federal Trade Commission's figure, the Federal Trade Commission's average figure for all mills?

A. For the mills reporting to them.

Q. That would include both large and small mills?

A. And small, apparently, yes.

Q. For what year or years was the Federal Trade Commission study made?

A. From January to June 1936, a six-months period.

Q. Then, for what year or years were the figures that you obtained in your questionnaire?

A. Some of them for the first five months of 1939, through May.

Q. Then you are comparing cost figures for 1939 with cost figures for 1936?

A. No; I was not. I very specifically stated—let me read this to you:

> Of course, a comparison of the different items of cost by cents is not particularly valuable since the information is for different periods, but the percentage distribution of cost is significant in that we find . . .

and so on, about the labor costs.

Q. Let's take your percentage distribution?

A. Yes; because you can't compare the cents.

Q. Then, you are comparing a percentage distribution of costs for 1939 with a percentage distribution of costs for 1936?

A. Yes, sir; that is right. That is the only thing available in the large mills.

Q. Wouldn't it be true that changes in cost of raw materials between 1936 and 1939, and changes in overhead and other costs might materially change your percentage comparison of labor costs as between those years?

A. Yes; I think that that is true, yes.

Q. So that you cannot even say that a percentage labor cost comparison between 1939 for one group of mills and 1936 for another group of mills is an accurate comparison?

A. It is indicative, that is all, of the trend or the percentage of the various cost items and what has happened.

Q. Now, Mrs. Mager, are you familiar with the fact that the Federal Trade Commission itself in its own study classified mill costs on the basis of size of mill?

A. Yes.

Q. You will recall that they used a rather different index of size than the one you used?

A. That is right.

Q. They used not spindleage, but total textile investment; is that correct?

A. That is right.

Q. And total textile investment would be a good index of mill size, would it not?

A. Yes, I think so.

Q. You have before you the report of the Federal Trade Commission?

A. Which one?

Q. I am referring now to Textile Industries in the First Half of 1936, No. 1, the Cotton Textile Industry, including thread, cordage, and twine?

A. That is right.

Q. January 21, 1937, published by the Federal Trade Commission?

A. Yes.

Q. Will you turn to Table II?

A. What page?

Q. On page 2 of the Appendix to that report, Mrs. Mager.

A. Yes.

Q. You will note that that table is entitled "Sales Per Dollar of Textile Investment, Rate of Return, and Specified Costs, Expenses and Profits, To Sales in Cents for 113 Cotton Spinning Companies, Grouped by Size of Textile Investment, And Type of Yarn Manufactured."

A. That is right.

Q. And will you look at the first series of columns captioned "All Classes of Products." Let's look first at the category of mills whose textile investment was less than $100,000.

A. Yes.

Q. Their labor costs were 22.83 cents per dollar, is that not correct?

A. That is right.

Q. Let us look next at the next larger group, those with textile investment of $100,000 to $199,999. Their labor cost was slightly lower, was it not?

A. Which group is that you are looking at?

Q. $100,000 to $199,999.

A. Oh, yes.

Q. Their labor costs are slightly lower, are they not?

A. That is right.

Q. 22.22 cents per dollar?

A. Yes.

Q. Now, let's look at the next group of larger mills, $200,000 to $399,999. They had a higher labor cost, did they not?

A. Yes.

Q. 23.50. Now, without going through the table in detail, Mrs. Mager, isn't it true that in the case of these mills, all of whom were reporting for a comparable period, labor costs per dollar rose, by and large, with the size of textile investment?

A. Yes; according to this table.

Q. And those figures would refute the conclusion which you drew on the basis of your comparison of 1939 with 1936, would they not?

A. No; I don't think so necessarily. Now, this is only for the yarn mills.

Q. Yes; I am speaking now only of the yarn mills.

A. For the yarn mills, that is right, yes; and we show in here that the labor cost was not very different in the small mills than in that for the whole. I didn't make that point. I made the point that overhead costs were slightly larger in the small mill group in the coarse thread. But in that group we have only had ten, and I frankly do not feel that it is as representative as it should be.

Q. Let me say this, if your present statement is that you do not feel that your figures on labor costs and overhead costs as between large and small mills are significant; then I won't pursue this line of questioning any further.

A. I think this, I think that it is an indication, that is all, and that is all that we could get in about four or five weeks we had to get this up.

But I didn't make that point that you made there of labor costs being higher, I said overhead costs were higher, and that labor costs were much the same, due to the conditions, the competitive conditions in the yarn industry. I think you misunderstood me there.

Q. Perhaps so.

Now, Mrs. Mager, I think that you stated that one of the disadvantages under which the South labors is the fact that long learning periods are required to train textile operatives as against shorter or no periods in the North. Is that a correct or fair summary of your statement?

A. No; I didn't say it took longer learning periods to train textile workers. I was speaking of the characteristics of the workers in general, and that generally speaking it required a longer learning period in industries as a whole. In the textile industry there is a surplus of workers.

Q. So that you don't make that point with reference to the textile industry?

A. Not as much. Now, I think it is true, however, in this case where a small mill locates in a small town and there has been no previous textile activity there and they have to bring the workers in from the surrounding area where they have had no training in industrial operations; and it may also be true, probably is true, in cases where a mill in the South changes its type of production, say, if this law might change or

make them go to the production of finer goods or something like that, requiring higher skills, then they would have to train their workers. They are not available.

Q. You are familiar, I assume, with the fact that the Fair Labor Standards Act contains a provision under which the Administrator may exempt learners from the minimum wage, either the statutory or the minimum fixed by a wage order?

A. Yes, I am familiar with that. But from just what I hear, the mill operators tell me that that is such a complicated procedure that it is not worth while to try to do anything about it.

Q. That is just hearsay on your part?

A. Yes, but—it is not hearsay, no, sir, it is from what they tell me.

Q. That is what we lawyers call hearsay.

A. Hearsay? Well, I didn't know, I am not a lawyer.

Q. Are you also familiar with the fact, Mrs. Mager, that the textile industry withdrew its application for a learner exemption which it had previously made with the Administration?

A. No, I am not familiar with that. Was that the industry as a whole, not the small or Southern group?

Q. It was the representatives of the industry who made application.

A. No, I am not familiar with that.

Q. Now, I think you further stated that you didn't put much stock in the purchasing power argument which has been advanced here from time to time, for the reason that only a small percentage of the total number of workers in this country would have their earnings affected by a 32½-cent wage order in the textile industry?

A. I didn't say in this country. I said in the South.

Q. In the South.

A. Yes, sir. I was talking about productivity, about the characteristics and composition of industry in the South, and not in the country as a whole.

Q. You make no statement as to the effect on purchasing power for the country as a whole?

A. No.

Q. As a result of the Fair Labor Standards Act?

A. No, sir.

Q. Don't you think, Mrs. Mager, that an increase in the purchasing power of Northern workers who are subject to the Act and Southern workers who are subject to the Act will increase the purchasing power of the entire South, notwithstanding the fact that a smaller percentage of workers in the South are perhaps subject to the Act than in the North?

A. No; I don't think that necessarily follows, because if you throw out of employment in the South—you might increase wages——

Q. Just a moment. We are not now discussing the question——

Mr. McKELVY. Suppose you let her finish. I think she is going to give you an answer.

Mr. ABT. Just let me make something clear to her.

The WITNESS. All right, you tell me the question again.

Mr. ABT. I think she is taking care of herself very well.

Mr. McKELVY. I think so too; I just want you to let her finish her answer.

Q. I am not now discussing the possible effect of the 32½ cent wage on employment. My question was this, as I understood your previous statement it was that you don't put much stock, as I said, in the purchasing power argument as applied to the South, because of the fact a relatively small percentage of workers in the South are subject to the Fair Labor Standards Act.

Now, I will ask you this question: Whether that fact is significant on the whole Southern economy, if it is true that the Fair Labor Standards Act will raise the purchasing power of all workers, North and South, who are subject to the Act?

A. Well, I will have to go back to what I started to tell you before about that.

Q. Yes.

A. And say this, that I don't see how the purchasing power of the Northern worker is going to be increased by a reduction in the employment in the South where I think, maybe—do you have this in mind, that if the Southern workers have more money to buy, then they will buy more products that are developed or manufactured in the North, and consequently that will increase and accelerate business in those sections?

But that is all predicated on the assumption that you apparently make that employment will not be decreased in the South. Under those conditions I feel like employment will be decreased in the South. If that is true, then they will not increase their consumption of Northern commodities.

Q. Don't you think it is also true that an increase in the purchasing power of Northern workers will give more work to Southern industries?

A. Yes, it might.

Q. It might be even enough more work to compensate for even your own outside estimate of the number of workers who might be disemployed by reason of a 32½-cent minimum wage?

A. That is only assuming that the Southern manufacturers will stay in business; and they may not. If they can stay in business and be able to produce, fine; but if they are not able to meet the competition, then I don't see how it can help.

Q. Mrs. Mager, in commenting on the W. P. A. Cost of Living Study, you stated it was impossible for you to determine whether the W. P. A. Study gave consideration to the ability of the Southern worker to raise food in his own cabbage patch, is that correct?

A. I said not the W. P. A., but the one by the Bureau of Labor Statistics.

Q. The Bureau of Labor Statistics. If that study had given consideration to that element, should it not likewise have given consideration to the question of how much food the Northern worker can grow in the Northern cabbage patch?

A. Yes, I think that should be given consideration in both sections, to be fairly comparable.

Q. Have you any opinion as to the number of cabbage patches in the North as against the number of cabbage patches in the South?

A. No, sir; I wish I did. I do know this, just from personal experience—I lived in the North, my home was in Illinois, I came south nine years ago, and I know there is a great deal of difference, even if you drive in an automobile, in the South you go 25 or 30 miles before you hit any town, and in the more concentrated sections in Illinois, Indiana, Ohio, New York, up there, you go from one little town into the other. There is a very evident—you just see it going through, that the rural characteristics of the population in the South are much more evident.

Q. Wouldn't it also be true, Mrs. Mager, that if this study had given consideration to that fact, it would also necessarily be accurate to have given consideration to the cost of growing cabbages, seed, and equipment?

A. Well, I suppose if you are going to get right down to the very penny, the cost of a 5-cent package of seeds, or something of that sort, yes.

Q. And to the time which the worker had to spend in his garden?

A. Yes.

Q. Weeding and plowing and seeding?

A. Yes.

Q. On page 25 of your statement, Mrs. Mager, you have a table numbered Table X, entitled "Index of Residential Construction Costs Based Upon Year's Average for 1929"?

A. That is right.

Q. And you drew the conclusion from that table that residential construction costs were lower in the South than in the North, is that correct?

A. Yes; for these items that I mentioned here, for residences.

Q. For residences?

A. That is right, for residences, not construction costs in general, although I think that would be true.

Q. Just one question, first, about the manner in which the index number appearing in that table is constructed. Let us take the case of the Atlanta area.

A. All right.

Q. That shows an index number of 79?

A. That is right.

Q. Does that mean that costs in Atlanta in—for what year?

A. For 1937.

Q. (Continuing.) That costs in Atlanta for the year 1937 were 79 percent of the costs in Atlanta for the year 1929?

A. No, it means the average cost in the United States.

Q. Construction costs in Atlanta were 79 percent of the national 1929 average, is that what is means?

A. Based upon the United States average for 1929, that is right.

Q. I just wanted to be sure on that.

A. Yes, that is right. It is not comparing the cost in Atlanta in 1929 with 1937.

Q. I think you stated a moment ago that a similar table compiled for other construction costs would probably show something of the same kind of differential between the North and South, is that correct?

A. Yes, I think it would.

Q. Have you made a study of that question?

A. No; I'll tell you, by observation, I am very familiar with the Engineering News Record. My husband is in the construction business, so I draw that just from the experience and what I know about that industry. I have not made any—I don't want to make any direct testimony on that because I have not the figures available.

Q. Wouldn't you say, Mrs. Mager, to the extent that general construction costs in the South are lower than general construction costs in the North, mill operators in the South have an advantage over mill operators in the North?

A. It reduces their cost of living.

Q. No, no, not their cost of living.

A. Yes, it does.

Q. I am talking about mill operators, mill owners.

A. Oh, yes, yes, I see.

Q. It would cost them less to build their mills?

A. Oh, yes, yes; that is true.

Q. But you have not included that problem in your presentation?

A. No; I have not. I would be glad to.

Q. Don't you think it would be an important item to consider?

A. Yes. I would be glad to get that if you want it.

Q. No; I don't want it. This is your story today, not mine, Mrs. Mager.

A. Now, on page 35 of your brief, Mrs. Mager, you said, "Admittedly there is not much information available on this subject, and one might easily reach the conclusion that a 5 to 10 percent increase in the selling price of a shirt, a pair of overalls, or a suit would not be a very serious matter."

Q. Did you mean to imply by that statement that in your opinion a 32½-cent minimum wage in the textile industry would result in a 5 to 10 percent increase in the selling price of a shirt, a pair of overalls, or a suit?

A. No, no; not necessarily.

Q. Have you made any estimate of what price increase, if any, in overalls, shirts, suits, and other cotton garments would result from the promulgation of a 32½-cent wage order?

A. In the textile industry?

Q. In the textile industry.

A. No, sir.

Q. You have not?

A. No.

Q. So that all of your statements with reference to a possible decline in the consumption of textile products resulting from an increase in price is not based upon any calculation made by you as to the price effect of a 32½-cent minimum, is that correct?

A. I don't recall that we stated—that it was stated definitely—that there would be a decrease. We said that "if". Certainly with increasing prices there is no assurance that consumption would increase.

Q. In other words, your statement comes down to this, does it not, that if a 32½-cent minimum wage causes a price increase to a point which will decrease consumer demand, there will be a decrease in the consumption of textile products?

A. That is right and——

Q. But you have no equation, and have no formula, no information——

A. No.

Q. ——on the question of "if?"

A. No, that is right, because I don't think any of us know what that "if" is going to be.

Q. On page 43 of your brief you discuss the problem of jute as a substitute for cotton, and you mention a number of items in which jute is used in the manufacture?

A. Yes.

Q. Among them carpets?

A. Yes.

Q. To your knowledge is there any competition between jute yarn and cotton yarn for use in carpeting?

A. I don't know.

Q. You don't know?

A. No, I don't; I wouldn't say.

Q. Do you know what proportion of the total jute consumption of the country goes into carpet yarn?

A. No; I do not.

Q. To your knowledge is there any competition between cotton yarn and jute in the case of cordage?

A. Yes.

Q. I am speaking now of heavy cordage, such as might be used, let us say, for mooring boats?

A. Oh, no.

Q. Not that kind of cordage?

A. No; not that kind. You mean manila ropes?

Q. Yes. And in the case of heavy twines, is there competition between cotton and jute?

A. I don't know just what your definition of "twines" is going to be here. That is why I cannot answer that.

I do know this, however, from perhaps hearsay again, but anyway from what the manufacturers tell me, that there is competition between cotton and twine made from jute. Several of them have pointed out for instance, I think, that they wished that the Post Office Department would use cotton twine instead of that made of jute.

Q. Let me put it this way, Mrs. Mager.

A. All right.

Q. Have you made a study of the points at which jute and cotton compete?

A. No.

Q. And the percentage of jute products which go into such competitive products?

A. No, not a factual study; no.

Q. Did you hear Mr. Lewis testify the other day?

A. No, sir; I didn't. I was not here.

Q. For your information his complaint was just the other way around; he was afraid that cotton was going to drive his jute out of business.

A. Well, it all depends on your point of view.

Q. Don't you think in establishing a minimum wage for the whole textile industry here, that you have got to give consideration to all points of view?

A. Yes; I do.

Q. Now, you spoke also of competition between cotton bagging and paper bagging?

A. Yes.

Q. Have you computed the probable or possible or anticipated price increase in cotton bagging which would result from the application of a 32½-cent minimum?

A. No.

Q. To the cotton textile industry?

A. No; I have not.

Q. Do you know whether such increase, if any, would be of sufficient proportions, taking into consideration the existing spread between the cost of paper bagging and the cost of cotton bagging, to further discourage the consumption of cotton bagging?

A. No; I can't give it to you in dollars and cents.

Q. On page 54 of your brief, Mrs. Mager, you discuss the question of competition from rayon?

A. Yes.

Q. And you indicate there that the average hourly earnings in the cotton goods industry is 38.5 cents, while in silk and rayon it is 42.1; is that right?

A. Yes.

Q. For what branches or branch of the silk and rayon goods industry is that average wage of 42.1 cents applicable?

A. As I understand it, it includes the silk and rayon manufacturing, not the production of the yarn.

Q. Not the production of yarn?

A. But just the manufacture of goods from the yarn.

Q. Do you happen to know what average hourly earnings in the manufacture of rayon yarn are?

A. No; I do not.

Q. Would you accept my statement drawn from the Bureau of Labor Statistics which reports that it stands at 64 cents?

A. The average hours stand at 64 cents?

Q. The average hourly earnings of the rayon yarn industry.

A. You mean the production of yarn from—that related to the chemical industries?

Q. The production of rayon yarn from pulp or other fibre?

A. I think that is about right, yes.

Q. Don't you think that it might have been important to consider wage rates in the rayon yarn industry in

discussing the question of competition between cotton and rayon?

Let's put it this way, Mrs. Mager, the production of cotton yarn is a process preparatory to the manufacture of cotton fabrics, is it not?

A. Yes—of what kind?

Q. Of what kind? Cotton fabrics?

A. Yes.

Q. Do you know what the average hourly earnings in the cotton yarn production throughout the industry are?

A. I couldn't tell you right offhand, no.

Q. They stand in the neighborhood of 33 cents, don't they?

A. Probably so.

Q. Would that be a rough approximation?

A. I know they are low.

Q. And the manufacture of rayon yarn is a preparatory process in the manufacture of rayon fabric, is it not?

A. Yes.

Q. Don't you think then it is important to consider the fact that wage rates in the processing of rayon yarn are more than or approximately are double the average hourly earnings in the manufacture of cotton yarn, in considering the question of rayon and cotton competition?

A. Yes; and in that connection I think it should also be studied, this point should also be studied as to the number of people employed in that production of rayon yarn, and the fact that it takes relatively few workers, because it is more highly mechanized. That just brings out the point that I made that the industry is more highly mechanized, and requires even fewer workers.

Even though the wage rate may be higher, that don't mean anything.

Q. Have you made a study of labor costs per spindle used, or some other appropriate standard in the manufacture of rayon and the manufacture of cotton yarn?

A. No; I have not.

Q. So that the conclusion that you have just drawn is not supported by any statistical evidence that you have?

A. Not from any statistical evidence, but from what I know is true in the industry.

Q. You cited some evidence from your questionnaire, Mrs. Mager, which you indicate shows that the cost to the employee of company houses was less than the cost to the employee of rented houses, or houses rented from outside owners, is that correct?

A. That is right.

Q. Are you familiar with the provisions of Section 3 (m) of the Fair Labor Standards Act which provides that a deduction may be made from wages for the reasonable cost of housing furnished by the employer?

A. For housing furnished by the employer, yes; but if it is not furnished——

Q. What do you mean if it is not furnished?

A. There is a question in my mind as to this; if an employer actually furnishes the house, it seems to me that he furnishes it without cost. I don't know whether that is the interpretation of that or not.

Q. I am afraid that is not the interpretation of that.

A. If you furnish something——

Q. Let me put it this way. If it were true that under the law an employer may make a deduction from the wages of his employees for the reasonable cost of company housing, is it not true that there would be no disadvantage to the employer or advantage to the worker as between company housing and proprietary housing?

A. Yes; if he could get that difference back.

Q. On page 73 of your statement, Mrs. Mager, you cited a quotation from Dr. Thorp.

A. What page?

Q. Page 73, at the very top of the page.

A. Yes.

Q. To the effect "size has certain advantages from the standpoint of using modern marketing methods," and again "I think it is true for certain types of production, we have developed national markets, and one cannot operate in a national market unless one is a certain size."

Isn't it true, Mrs. Mager, that the most efficient size for any manufacturing establishment will vary from industry to industry?

A. That is true.

Q. And how would you measure, in any particular industry, the most efficient size of a single unit?

A. Well, there would have to be a study of their marketing and distribution set-up in the industry, before you could determine that, but here, we had reference to the general basis that that is true.

Q. Do you think that profits might be at least one index, or one indication of the correlation of efficiency in size, not a conclusive or a determining one, but one index?

A. Yes, sir; it might be one of the indexes.

Q. Well, will you turn again to the Federal Trade Commission Report to which you and I referred before, and turn this time to Page 13, of the appendix?

A. All right.

Q. That table is entitled "Sales Per Dollar of Textile Investment, Rates of Return and Specified Costs and Expenses and Profits to Sales in Cents For 264 Cotton Spinning and Weaving Companies, grouped by size of

Textile Investment and Type of Goods Woven, January to June 1936"?

A. Yes.

Q. Now, will you look at the first group of columns captioned "All classes of products"?

A. Yes, sir.

Q. And then look at the fourth column, which bears the caption "Rate of Return on Textile Investment From: (Semi-Annual Basis) Profit or Loss on Sales?"

A. Yes.

Q. You will note, Mrs. Mager, the first column captioned, "All Classes of Products," classifies mills in accordance with their textile investment less than $100,000?

A. $100,000 to $199,999.

Q. Is that right?

A. That is right.

Q. And so on up to $12,800,000 or more?

A. Yes, sir.

Q. Will you look at the fourth column, to which I had referred?

A. Yes.

Q. And tell me whether from that you can find any correlation between the size of textile investment and the rate of return?

A. They say that the rate of return of a textile mill that had a capital of less than $100,000 is 4.45 percent on the investment, isn't it?

Q. No; let's look at the same column. I am looking at the fourth column which says "Rate of Return on Textile Investment From Profits or Loss on Sales."

A. Well, that is the one that I am looking at here.

Q. And the first figure in that column is 1.42, is it not? it not?

A. Oh, I see what you are referring to now.

Q. You see it?

A. Yes, sir.

Mr. ABT. Now, Mr. Reporter, will you repeat the original question that I asked the witness?

(Question read.)

The WITNESS. In the first place, before you attempt to make any sort of correlation of figures of that kind, I think that it would be better to have figures over a much longer range of time. You can't tell much about a six-months' period like that, because there might be something unusual in that period of six months.

Q. Let me interrupt you right here for just a moment, Mrs. Mager, to ask you to first answer my question, please, and then if you wish to make any explanation, you may do so later on?

A. You asked me whether there is any correlation between——

Q. Yes—appearing from that Table between the size of textile investment and the rate of return?

A. (No response.)

Q. Well, let me put it this way: From that table, which group of mills has the highest rate of return?

A. The group of mills with a capital of from $100,000 to $199,999.

Q. And their rate of return was 9.40 percent, was it not, on that capital investment?

A. Yes, sir.

Q. And which mills earned the lowest rate of textile return?

A. In this tabulation, it is the mills away up in the $6,400,000 to $12,799,999.

Q. And they earned only 1.8 percent, did they not?

A. 1.8 percent; yes, sir.

Q. Now, let's look at the next column, Mrs. Mager?

A. All right.

Q. And that column is the rate of return on textile investment, not only from profits and loss on sales, but from total textile income, is it not?

A. That is right.

Q. And I assume that that would include perhaps inventory profits and other items which might not be included in the profits from sales?

A. I would assume that.

Q. Do you note any correlation in that tabulation between size of textile investment and rate of return?

A. Well, in the hundred thousand to the $199,000, the percentage of earnings or rate of return is practically the same as in the other.

Q. And what group of mills earned the next highest rate of return?

A. The smaller ones, up to $100,000.

Q. The smallest mills of all?

A. Yes, that is right.

Q. And which group of mills are the lowest, or earned the lowest rate of return?

A. Again, that group that we referred to before.

Q. That is the group——

A. ——of $6,400,000 to $12,799,000.

Q. Now, if you care to make some qualifying statement as to the table, you may proceed.

A. Yes sir, I certainly do.

As a statistician, I wouldn't consider that as adequate, this information adequate to arrive at any correlation. There might have been some peculiar sort of factors that influenced that—the price of cotton to the mills in one section as compared to the other, and just all kinds of influences, and I think—I don't think that is indicative of the general trend.

Q. Well, if it is not indicative of the general trend, it is one indicator, is it not?

A. It is one indicator for that six-month period in the year 1936.

Q. That is right. Have you any other indicators which would show any difference in correlation between the size of textile investments or spindlage and rate of return?

A. No, I haven't; but I wouldn't accept this as representative.

Q. Mrs. Mager, we have prepared here—let me ask you first this question: It is true, is it not, that the Federal Trade Commission made similar studies not only for the first half of 1936, but for the years 1933 through 1935?

A. I believe that that is correct; yes, sir.

Q. Now, inasmuch as these reports for separate years are presented in separate volumes, we have prepared a summary of the information contained in these reports, and if you and Mr. McKelvy will accept our transcription of the Federal Trade Commission's figures as accurate, I would like to offer them in evidence.

Mr. McKELVY. Pardon me?

Mr. ABT. This is simply a transcript of the Federal Trade Commission's figures of the years 1933 through 1935, and the first half of 1936, and since they appear in separate volumes, for convenience, we have combined them in this one table, if you will accept the accuracy of our transcription of these figures, then I will offer this in evidence, and if you don't care to accept the accuracy of it, I will offer it subject to your right to object to it, or subject to your right to examine and correct it for any mathematical errors that you might find.

Mr. McKELVY. I will arrange that they may go into evidence, subject to being checked by the official authority, the source from which you say that they were gathered, and Mrs. Mager can answer any questions regarding them, with that qualification.

Mr. ABT. All right. I now offer in evidence as Textile Workers' Union of America, Exhibit No. 6——

Mr. MCKELVY. I didn't get the identification of it, Mr. Abt—whose exhibit is it?

Mr. ABT. It is my exhibit.

Mr. MCKELVY. Did you say that it would be No. 6?

Mr. ABT. Yes, sir; this is Exhibit No. 6 of the Textile Workers' Union of America, and it consists of a table captioned "Profits by size of textile investment in spinning and weaving mills." This exhibit is a summary of information appearing in a series of Federal Trade Commission's studies, captioned "The Cotton Textile Industry Including Thread, Cordage, and Twine," for the period January 1, 1933, to June 30, 1936, and the offer is made subject to the right of Mr. McKelvy to check the information contained in the exhibit from the original sources.

Administrator ANDREWS. It is accepted, subject to examination by Mr. McKelvey.

(T. W. U. Exhibit No. 6, Witness Mager, received in evidence.)

Mr. MCKELVY. Suppose that you put it this way, allow Mrs. Mager to make the check of the exhibit?

Mr. ABT. All right; Mrs. Mager, then?

Mr. MCKELVY. Yes.

The WITNESS. Does this include all companies North and South?

Mr. ABT. Yes; all companies in the Federal Trade Commission's sample, the figures were constructed in the same manner as the figures were constructed in the pamphlet itself, which we have heretofore referred to?

A. Yes.

By Mr. ABT:

Q. One of your criticisms of the figures for the first six months of 1936, as I understood it, was that they

covered too brief a period of time, and we have now a more extended period to examine.

Now, will you look at that table, our Exhibit No. 6, and tell me whether in any of the six months periods in question, from January 1933 to June 1936, there appears to be any correlation between size of textile investment and profits, and may I say that these figures represent——

A. What did you say that they were?

Q. I will tell you that in just a minute.

A. All right.

Q. These figures represent the rate of return on total textile investment from total textile income.

Mr. McKELVY. Mr. Abt, don't you have the original bulletins or sources of this information?

Mr. ABT. Yes, sir; I think that we have them around here somewhere, but for convenience in examining the matter, I think that it will save time to have it in this form.

Mr. BORKEIN. I think that there are about eight volumes of those books.

Mr. ABT. There are several.

By Mr. ABT:

Q. Now, will you answer my original question?

A. You asked me if there was any correlation?

Q. Yes?

A. Now, offhand—let's go over it in the same way that we went over it before—with a textile investment of less than a hundred thousand—oh, my, you have to study those before you could find out if there were any correlation, because you have jumps around in each of the six months periods, and it is hard to tell offhand, unless you take each year.

Mr. McKELVY. Let me make this suggestion.

Mr. ABT. Just a minute, if the witness can't testify as to the table, just let the table speak for itself, because the question that I asked, the answer is very apparent from the table itself.

Mr. MCKELVY. I don't object to her answering the question, but I think for the lack of information—I think that we should have the original volumes themselves so that we could really make an accurate examination of these records from which you have made a summary here.

The WITNESS. I will answer it if you wish me to.

Mr. ABT. All right, I will be glad to get the volumes for you.

Mr. BORKEIN. Here they are.

Mr. MCKELVY. Are these little pamphlets the volumes that you are talking about?

Mr. BORKEIN. Yes.

Mr. MCKELVY. I thought that you were talking about books when you said that they were in eight different volumes. I want Mrs. Mager to look at these original pamphlets that you have brought in here, so that she may have the benefits of the other contents of these pamphlets, in connection with the summary or table which you have made up, so that she can answer the question.

Mr. BORKEIN. These are all constructed similar to the 1936 and she has the 1936 one right over there.

The WITNESS. In the group of less than one hundred thousand dollars in 1933, the profits were 2.73, and that is from January to June.

By Mr. ABT:

Q. Let's take that period alone.

A. Just 1933, that is better, and then we can get some place by doing that.

Q. In that period, mills with less than $100,000 textile investment, paid the lowest return of all; did they not?

A. Yes, sir.

Q. And mills with investments of $12,800,000 and over had the highest return of all?

A. Yes; that is right.

Q. Now, take the next period, that is, the last half of the year 1933?

A. All right.

Q. There, mills with investments of less than $100,000 ranked second in return, did they not—no——

A. No; they ranked third, I think it was.

Q. Yes; third, that is right.

A. Yes; that is right.

Q. And mills of $12,800,000 and over continued to rank first, is that correct?

A. Mills of what size, did you say?

Q. Of $12,800,000 and over, continued to rank first?

A. Yes, sir; that is right.

Q. And then in January to June 1934 the smallest mills again ranked last, did they not?

A. That is right.

Q. And the largest mills continued to rank first, did they not?

A. That is right.

Q. And then in January——

A. That is June to December.

Q. June to December 1934 again, the smallest mills ranked last, is that correct?

A. No. Ranked last?

Q. Yes; the asterisk indicates "Loss?"

A. Yes, oh, yes; I see, yes; that is right.

Q. And without pursuing the table in all of its details, wouldn't it be a fair statement to make then to

say that there does not appear to be much correlation between the size of the mill and the total return on the textile investment?

A. For the period in which you have developed this information, I will say "Yes," but for the period 1933 to 1936, you must remember that that was one of evolution, I guess, or possibly we should use a stronger word for it in the textile industry at least, and in other industries as well, because there was a depression during that period of time, and then another factor that must be considered was the existence of the N. R. A.; it came along in that period of time, and other factors should be considered, so I don't think that that period of time was indicative of anything.

Q. It was a period in which a minimum wage was in effect under the N. R. A.?

A. Yes, sir; I mentioned that, part of that time, it was, and that had its influence on profits and losses, and it is hard to tell what these influences were.

Q. And coming again to the question I asked you previously—you have no statistical or economic information which would show that there is a point to point, or anything like a point to point correlation between the size of the mill and the rate of return?

A. No, sir. I don't think any of us have.

Q. All right.

Now, Mrs. Mager, you drew a number of conclusions in your statement from the results of that questionnaire, did you not?

A. I reported the results of them, yes; and I drew certain conclusions.

Mr. ABT. Did you intend to offer the questionnaire for the record, in evidence, Mr. McKelvy?

Mr. MCKELVY. No; I don't think that it is necessary.

Mr. ABT. I think that it is an important matter to complete Mrs. Mager's testimony and indicate the basis upon which the information was obtained.

Mr. MCKELVY. Hasn't she explained the questionnaire in her statement?

Mr. ABT. She hasn't indicated the nature of the questions asked.

Mr. MCKELVY. If you insist on putting it in, I don't object to it.

Mr. ABT. Well, it is not a part of my case, Mr. McKelvy, and I don't intent to offer it as a part of my case.

Mr. MCKELVY. Well, I didn't intend to offer it, because I don't think that it is material to the issues involved here.

Mr. ABT. I think if we are to have from Mrs. Mager her summary of the information, contained in the questionnaire, that it is essential that the questionnaire itself become a part of the record, and if Mr. McKelvy is unwilling to offer the questionnaire, then I must move to strike out all references in Mrs. Mager's testimony to the results obtained from that questionnaire.

Mr. MCKELVY. If he wants to be technical about it—I will say that I personally see no materiality to the questionnaire being put into the record. I have no particular objection to it going in if it serves any useful purpose.

Administrator ANDREWS. I think that it will.

Mr. MCKELVY. All right, then we will be glad to offer the questionnaire in evidence.

Administrator ANDREWS. I think that in similar cases that such things have been offered.

Mr. MCKELVY. She has explained how she compiled the information and how she considered it.

Mr. ABT. Do you now offer the questionnaire?

Mr. McKelvy: Yes; I will now offer the questionnaire in evidence.

(Exhibit No. 35 of the Committee of Small Textile Mills, Witness Marger, received in evidence.)

By Mr. Abt:

Q. I think that you stated in your testimony, in the answers based upon this questionnaire, small mills' Exhibit No. 35, that the small mills were under a freight handicap, is that correct?

A. No.

Q. You didn't?

A. I didn't testify as to freight rates at all.

Q. You didn't testify as to freight rates?

A. No. All I said was that it was stated in the hearing that the Southern mills had—that it was stated in the hearing "That the Southern mills had an advantage to Chicago and St. Louis markets," and otherwise, I didn't, as I recall, testify on that subject.

Q. Let's make it clear now, between us?

A. No; I didn't. That is the only thing that I remember that I said on that subject, but I may not remember all that I said.

Q. In any case, am I correct in saying that you do not want to be recorded as making any independent statement on the freight rates question?

A. Yes, sir.

Mr. McKelvy. Now, just a minute, Mr. Abt. The statement is right here, and it will show for itself. And I will find it for you.

Mr. Abt. Oh, no; I am satisfied about it. You need not look it up.

By Mr. Abt:

Q. In your concluding sentence, Mrs. Mager, you stated "In the small mill group of the South there are approximately six million spindles?"

A. That is right.

Q. "And at least 20 percent of them have indicated that they cannot continue to operate if the 32½-cent rate becomes effective, which is estimated will create unemployment for from 20,000 to 25,000 Southern mill workers, who will be forced to seek employment in other channels, return to the farms, or go on relief."

A. That is right.

Q. Is that statement based upon the second part of your question No. 14 in the questionnaire which reads: "Can you continue operation with 32½-cent minimum wage rate"?

A. That is right.

Q. How reliable an index of the number of mills which will be forced out of existence by reason of the 32½-cent minimum wage do you think the response to that question is?

A. I don't understand your question at all.

Q. How much reliance do you believe that you can place upon the response to that statement?

A. Well, apparently, those who answered it answered on the basis of what they think their experience will be, and I have no means of knowing whether they answered the truth or not. I assume that they answered the truth. I wouldn't impute to them that they would answer dishonestly.

Q. Suppose that you were a millman, for the moment?

A. I wouldn't be one.

Q. I wouldn't either. And suppose your wage rates were such that a 32½-cent minimum would require some substantial increase in your wage bill, and suppose that you received a questionnaire from a group which you knew was going to present the results of that questionnaire to the Administrator charged with the duty of determining whether or not to promulgate that wage order? Now, if you were paying less, or if

you were paying wages which would have to be increased in the event of the 32½-cent minimum, you wouldn't normally be in favor of a 32½-cent minimum, as a millman, would you?

A. I wouldn't say that I wouldn't be in favor of it, no, because if I could find some way—as a matter of fact, I don't think that these mill men are against paying the highest wages that they can pay, and I don't believe that they deliberately sat down and answered that question, and that they would say—no, I won't pay a thirty-two and a half cent minimum—I think that the men would look at it and say "How can I work this wage situation out and stay in business?" I believe that that is what he would do.

Q. Did the mill men to whom you sent this questionnaire know that the questionnaire would be used by opponents of the majority Report of Industry Committee No. 1 in a proceeding to be held before the Administrator?

A. Yes; but do you feel——

Q. Just a minute, now, let me ask you another question right now, first.

Mr. McKelvy. Have you finished your answer, Mrs. Mager?

The Witness. Yes; I had finished my answer, but I was going to ask him a question when he stopped me.

By Mr. Abt:

Q. Do you think, Mrs. Mager, that many mill men who were in favor of a 32½-cent minimum would respond to your questionnaire, knowing that it would be used by opponents to that minimum? I know that you are not a psychologist, and you are only a statistician, but I would like to get your answer on that anyway.

Mr. McKelvy. Of course, Mr. Administrator, it seems to me that none of these questions he is asking

have any bearing whatsoever on whether the 32½-cent minimum wage should be approved or disapproved.

Mr. ABT. But I think that this is relevant to your questionnaire.

Mr. MCKELVY. The witness has stated that the small mill groups were general in their statement that they couldn't pay the 32½-cent rate and operate, and I can't see the materiality of the questions that he is now asking to the issues involved here.

Mr. ABT. If the results of the questionnaire are offered solely to indicate that those responding to the questionnaire are opposed to the promulgation of an order putting into effect a minimum rate of 32½ cents—then I will just withdraw my questions in regard to the questionnaire.

Mr. MCKELVY. The questionnaire will speak for itself.

Mr. ABT. It does, I think.

The WITNESS. May I say that in my statement there, that I don't propose to show—I think that we make a very, very small estimate as to the number that will be displaced, or that would be displaced, and in this conclusion, we just say that it is estimated that it will create unemployment for twenty to twenty-five thousand workers, and we didn't hear from a good many of those to whom the questionnaire was sent. Now, as to that element of dishonesty—not dishonesty, but I know what you are trying to bring out there—but I think that the margin might take care of that.

Q. But it is true that your estimate was based upon the return to this questionnaire?

A. Yes, sir, just like I said they were, and it was the only way that I could get this information, it was from their answers.

Q. And you have made no check beyond the replies to this questionnaire, as to the accuracy of these replies?

A. No, sir; of course, I couldn't go up to a man and ask him if he answered me correctly in the questionnaire.

Q. You haven't?

A. No.

Administrator ANDREWS. May I ask a question right here? Were these answers in the questionnaire submitted in affidavit form, were they sworn to—were they sworn statements or not?

The WITNESS. No, sir, they were not.

Mr. ABT. They are not sworn to.

By Mr. ABT:

Q. Now, I gathered from your previous answers at the beginning of our little discussion, that you have no information as to the number of these 98 mills which are under common ownership?

A. No, sir; I have not.

Mr. ABT. May I ask, Mr. McKelvy—I think that this is a very material question, as to whether we may have the names of these mills that responded to the questionnaire. I am not asking as to any identity of the names with the answer, but simply the names of all of those companies which responded to the questionnaire.

Mr. MCKELVY. Don't you think that the Administrator should pass on that?

Mr. ABT. I ask that first, Mr. Administrator.

Mr. MCKELVY. Mr. Administrator, I think that the request for that information comes largely within the category of a request put to the trade-unions to furnish certain information in regard to their members in the various states, and, as I understand it, the Administrator has denied that request.

Mr. ABT. They are entirely different. The questions are different, althogether. The question of our mem-

bership went to a problem that you ruled was wholly irrelevant to these proceedings.

Mr. McKELVY. And——

Mr. ABT. Just a minute, just a minute, let me finish my statement first, before you interrupt me.

Mr. McKELVY. All right.

Mr. ABT. I am asking for the names of those mills in order to determine how many are under common ownership and what the total spindleage under common ownership is, and Mr. McKelvy is here purporting to represent the so-called small mills, and Mrs. Mager has testified that she has no information as to the number of spindles under common ownership, either small mills generally or among those that responded to her questionnaire, and we are clearly entitled to that information.

Mr. McKELVY. Don't you have that information in the Cotton and Wool Reporter, and other publications of that kind?

Mr. ABT. We can't tell which mills listed in the Wool and Cotton Mill Reporter responded to your questionnaire.

Administrator ANDREWS. May I ask you this question right at this point? Are these names on the petition—the mills who signed this petition, are they the same as recorded in those questionnaires?

Mr. McKELVY. Not in all instances; no, sir. Many of them reported.

Administrator ANDREWS. I think that it should be in the record. Since all of this testimony is based on the questionnaire's return by these mills, I think that the questionnaire itself should be in the record.

Mr. McKELVY. Should we furnish the list, we have no way of knowing whether those mills are under common ownership or not.

Administrator ANDREWS. All that counsel has asked for is the names of the concerns that answered the questionnaire.

Mr. MCKELVY. What purpose is that to serve, Mr. Abt?

Mr. ABT. So that we may determine the actual number of spindles replying to the questionnaire, and the total number of spindles of each unit under common ownership.

Mr. MCKELVY. Well, we will do our best to furnish that information.

Administrator ANDREWS. And, of course, if Mr. Abt puts in any evidence on the basis of that, you have the right to cross-examine.

Mr. ABT. Oh, surely.

Mr. MCKELVY. I don't know just how that will work out. It is not going to be possible to have Mrs. Mager in Washington next week. She would, of necessity, have to answer the questions of that nature, or rebut the questions of that nature.

Mr. ABT. Mr. McKelvy, any information that we have, or any testimony that we may give with regard to common ownership based upon names of companies furnished by you will be taken from well-recognized trade sources, and well-recognized trade publications as to which I am sure Mrs. Mager would have no knowledge and which are generally accepted as reliable and accurate in the industry.

Mr. MCKELVY. Then, you go right back to my point. I don't think that the information will do you any good when we put it into the record.

Mr. ABT. Well, I do, and so does the Administrator.

Mr. MCKELVY. I don't think that it is material to any of the issues involved here.

Administrator ANDREWS. May I suggest, Mr. McKelvy, that if Mrs. Mager can't be in Washington to

answer any questions, that you would have ample opportunity to file a brief on whatever Mr. Abt might say or bring out there.

Mr. McKelvy. I don't like the procedure of filing briefs. I would much prefer to be permitted to go into it personally. I am thinking of the practicality of the matter now, and I know that it won't be possible to have Mrs. Mager in Washington next week, and I myself would not be competent to analyze it in her absence.

Mr. Abt. Well, let's be practical about it—it seems that it is no reason at all for you to state that the witness that you would like to have present when I may produce such evidence, won't be there, that doesn't seem to be a sufficient reason.

Do I understand, Mr. McKelvy, that you will produce the information requested?

Q. Surely you have the information, haven't you?

A. Yes.

Mr. McKelvy. Do you have the information with you?

The Witness. No.

Mr. McKelvy. That is what I thought.

Mr. Abt. I am not asking if she has it with her.

Q. Will it be possible for you to prepare it so that it may be in Washington early next week, Mrs. Mager?

A. I think so.

Q. Will you turn to page 64 of your statement, Mrs. Mager?

A. Yes.

Q. On Table XXI of your statement, on page 64, you have indicated——

A. Table XXXI.

Q. ——the number of mills by states which have responded to the questionnaire. Is that correct?

A. Yes.

Q. Have you considered, Mrs. Mager, the percentage of small mills, or what you define as small mills, in each state which have answered your questionnaire?

A. Yes.

Q. I have worked it out here roughly. See if——

A. I didn't work it out, I don't think.

Q. I have used your table of the total number of small mills in each of these states, and I find in the case of Alabama that you had replies from 26 mills out of 43 in the State?

A. Yes.

Q. Something better than 50 percent?

A. That is correct.

Q. In the case of Georgia you had 26 replies out of 67 mills?

A. That is right.

Q. That is something less than 50 percent?

A. Yes.

Q. In the case of Mississippi you had seven mills from seven mills, 100 percent?

A. That is right.

Q. Is that correct?

A. Yes.

Q. In the case of North Carolina, you had 31 replies from 112 mills?

A. That is right.

Q. Is that correct?

A. Yes.

Q. And that would be about 25 percent, is that correct?

A. That is just about right.

Q. In the case of South Carolina you had five replies from 43 mills, and that would be about 12 percent, is that correct?

A. Yes.

Q. Now, have you given any consideration—or put it this way—do you attach any significance to the varying percentages of response which you got from these several states?

A. What do you mean; what kind of significance do you mean.

Q. Well, let's take the case of Mississippi. There your response was 100 percent, was it not?

A. Yes; that is right.

Q. What can you say with respect to the rank which Mississippi holds in average hourly earnings among the Southern states?

A. It is low.

Q. Lowest, is it not?

A. Probably; it is low. You mean in textiles?

Q. In textiles; yes.

A. Yes.

Q. Is it not lowest?

A. Yes; it is.

Q. So you got the largest response from the state with the lowest average hourly earnings?

A. Yes; but there were only seven, as an influence on the table.

In that connection though I don't want that question to be answered that way. You pointed out that the return from North and South Carolina was relatively small as compared with the return from Alabama. That was due to the way in which the questionnaires were sent out. They were not sent out at the same time. The North and South Carolina questionnaires did not go out for two weeks after the Alabama questionnaire did, and we had from May—let's see, I think it was May 29 we started on this thing—and we didn't have an opportunity to pursue those mills as far as we should have.

Q. That may be true. It also is true, is it not that your lowest percent of response came from South Carolina; about 12 percent?

A. Yes; and that was the state that was sent last.

Q. How does the state of South Carolina rank in average hourly earnings among the Southern states?

A. It ranks high.

Q. It ranks high?

A. Yes; due to——

Q. How does it rank in average hourly earnings as a state among the states which responded to your questionnaire?

A. Well, it ranks high there too.

Q. It is highest there, is it not; 34 cents?

A. Yes; 34 cents.

Q. That is highest, is it not?

A. That is right.

Q. And the next smallest percentage of response came from North Carolina, did it not?

A. That is right.

Q. And North Carolina—or put it this way—and the mills reporting from North Carolina reported average hourly earnings which were almost in a tie with Georgia for second highest?

A. That is right.

Q. Isn't that right?

A. No; they are third, aren't they?

Q. I say almost in a tie with Georgia.

A. They were third highest.

Q. One tenth of a cent under Georgia?

A. That is right; but still third.

Q. How do average hourly earnings in North Carolina generally compare with average hourly earnings in the cotton-textile industry in the Southern states?

A. They are fairly high due to the predominance, like I pointed out in the brief, of buying and finishing in-

dustries—not predominant, but I mean there are more buying and finishing establishments, and that type of establishment there than in Alabama and some of the other states.

Q. In any case, they are high, are they not?

A. Yes; they are high, due to that influence.

Q. Now, it is true, for whatever reason there may be for that result, that the smallest percentage of returns came from the states with the highest average hourly earnings and per contra, the largest percentage of returns come from states with the lowest average hourly earnings; is that not correct?

A. That is true, but I don't draw a conclusion from that that they—they didn't report.

Q. I have not drawn any conclusions yet. But those are the facts, aren't they?

A. They are the facts; that is right.

Q. Bearing in mind those facts, can you say as a statistician, and a good one, that the response which you received for—what was it, 20 percent?

A. Something like that.

Q. For the total small mills?

A. Yes.

Q. It is typical of the response which you would have received had you gotten 100 percent returns?

A. I can't say that conclusively; no, I can't. I can just say that that is an indication of what is true in the industry. And if we had had more time in which to pursue that, we could have gotten more representative returns naturally. The more returns that you have—if you have 100 percent, you are perfect.

Q. In considering the question of whether or not the returns which you did receive are typical, don't you believe, as a statistician, that some weight might perhaps be given to this inverse ratio of percent of returns and average hourly earnings by states?

A. No, I don't, because of that factor that I have just mentioned to you, that those questionnaires were not sent out until two weeks later than the others, and we didn't have time to follow them up. So I would not draw that conclusion; no.

In fact I do think, I believe if we could pursue it further and get more returns that it would be true, especially on the basis of the spindles.

Q. But that is a belief that is not supported by any statistical information?

A. You asked me what was my opinion.

Q. I was just trying to find the basis of your opinion?

A. I couldn't prove that by statistics, as to whether they would or would not send in their returns, but I do know through experience if you get after people enough they will send in their returns.

Q. If you get after them enough will they send in returns of the kind you like to receive?

A. No; because I don't do that; I am not that type of statistician or economist or researcher, or whatever you want to call me. I try to get a cross section insofar as I can.

Q. Have you made any study paralleling the study of small Southern mills, for small New England mills?

A. No; I have not.

Q. Do you know whether or not the results which you would obtain from such a study would parallel the results which you obtained from a study conducted in this fashion among Southern mills?

A. Well, what results are you speaking of particularly? Parallel which results?

Q. Well, you had seventeen or eighteen questions there. Do you think you would have gotten replies of the same general kind from similar questionnaires sent to small New England mills?

A. If they were sent them from the South, you mean, or if I were in the South and sent them out to them?

Q. No; if small Northern mills in the same proportion as Southern mills sent their replies to Mr. X?

A. Yes.

Q. Who resides on top of the Mason-Dixon line.

A. Do I think that I would get the same results?

Q. Yes.

A. I have no way of knowing that.

Mr. ABT. That is all. Thanks.

Administrator ANDREWS. Are there any more questions?

Mr. NATHAN. Yes; I have some questions.

Administrator ANDREWS. We had better adjourn until after lunch.

Mr. MCKELVY. I would like awfully well to finish with this witness if we possibly could. It is almost 1:30, I realize.

Mr. NATHAN. It would take possibly 30 minutes.

Administrator ANDREWS. I think probably we had better adjourn until 2:45.

(Whereupon at 1:20 o'clock p. m. the hearing was adjourned until 2:45 o'clock p. m.)

AFTERNOON SESSION

2:45 o'clock p. m.

Administrator ANDREWS. The hearing will come to order. This is a continuation of the hearing on the recommendation of Industry Committee No. 1 for a minimum wage in the textile industry.

Proceed, gentlemen.

Mrs. MARGARET MAGER, the witness on the stand at the time of the recess, having been previously sworn, resumed the stand and testified further as follows:

Cross-examination (continued) by Mr. NATHAN:

Q. Mrs. Mager, how many mills did you send out this questionnaire to?

A. 483.

Q. Are they all located in the South?

A. That is right.

Q. Would you say that that constitutes all of the small mills, according to your definition, that exists in the South?

A. Yes; it included every one that we had any record of whether they were listed in the Wool and Cotton Reporter or not.

Q. All of them having 25,000 spindles or less?

A. Less than 25,000 spindles.

Q. How many replies to the questionnaire did you receive?

A. 98 replies, of which we used 92.

Q. Do you have any idea at all as to whether these others received your questionnaire?

A. Well, I know they were mailed, that we mailed them, and that is as far as I know, and they were addressed properly, and I assumed that they received them.

Q. On what basis did you decide that 25,000 spindles was the dividing line for what you call a small mill and a large mill?

A. I think that I answered that this morning.

Q. You did. Do you mind answering it again?

A. Do you want me to answer it again?

Q. Please.

A. It was determined in this way: In conference with a group of mill men who were familiar with mills and the operation of mills, and in discussing the relative size of the mills, decided that a mill of 25,000 spindles or less would probably be classed as a small mill. I felt that they were more qualified on that than I was.

Q. Is it your statement that from talking to these gentlemen, that it is the custom in the textile industry to recognize mills of 25,000 spindles or less as small mills?

A. I don't know that it is the custom in the textile industry, but in their minds, they feel that a mill of 25,000 spindles or less was a small mill.

Q. If that is not the custom in the textile industry, then there is no basis for all of the conclusions that you have drawn from your statement, is there?

A. Well, it seems to me that these—that in considering—I don't understand your question. Ask it again, or tell me again what it is.

Q. I will approach it from a different angle, then.

A. All right.

Q. Do you know about how much capital is tied up in a textile mill using about 20,000 or 25,000 spindles, we will say?

A. No; I don't.

Q. Do you think that it would cost a million dollars to operate a mill of that size?

A. I don't know.

Q. If it did take a million dollars, would you call it a small mill?

A. What do you mean?

Q. The capital investment, I mean.

A. Do you mean the capital invested in building and raw material, and everything? Do you mean that?

Q. Yes.

A. Not necessarily, that that would be so large.

Q. I don't mean necessarily the raw materials, but I mean the capital structure of the company—say it is incorporated at a million dollars?

A. Would I think that that represents a small mill—is that your question?

Q. Yes.

A. No; I don't think so.

Q. Isn't it true that mills having fifteen to twenty thousand spindles generally have capitalizations ranging from a half a million to a million dollars?

A. I don't know.

Q. Do you know how many employees there are in a mill that has 25,000 spindles?

A. Well, averaging it out on this basis, there were about—I think if I remember my figures correctly, there were about 54 spindles per employee—that is in this group that reported, as I recall it –54 spindles per employee. I would have to get a paper and pencil to figure that out.

Q. Well, suppose you do that.

A. All right. In a mill of that size, say 20,000 or 25,000 spindles or what?

Q. We will say 20,000.

A. 20,000?

Q. Yes?

A. About 370 or something like that. I suppose that it would run between 350 to 370.

Q. That is not considered a small mill, is it?

A. It is a small mill compared to mills employing a thousand or two thousand and so on. Yes; I think that is a small mill.

Q. But it is not small in the sense that the mill can't benefit by large purchases?

A. I don't know that that is true.

Q. I have been advised that you may have made a mistake in your calculation and that it is over 500 employees?

A. 54 into 20,000?

Q. Oh, no—that would be 25,000?

A. No; but your said 20,000, and that is how I figured it.

Q. All right, that is all right. But, 25,000 would be somewhat over 500?

A. Yes; but you said figure it at 20,000, and I did.

Q. You would not call that a small mill, would you?

A. What?

Q. Basing it on the theory that you advanced this morning, that a small mill has a disadvantage in that it has a large overhead?

A. And can't buy as cheaply?

Q. Would you say that a mill with four or five hundred employees would suffer those disadvantages?

A. I don't but when you get up to four or five hundred employees, you would move up to 25,000 spindles and above.

Q. You said 20,000 spindles would be 400 employees, didn't you?

A. I said that 20,000 spindles would be around 370 employees, and that is 54 spindles to the employee, and that is a good average; that is what I said; 54, that is a good average for spindles per employee.

Q. Out of all of these mills replying to your questionnaire, did you make a break-down of the number of mills replying that had spindles totalling between twenty and tweny-five thousand and between fifteen and twenty thousand and between ten and fifteen thousand?

A. No, I did not. We didn't have the time to do that.

Q. You don't know, then, what group they fell into?

A. No, we use them all in one group.

Q. I believe you said already, or you have already stated that you do not know of your own knowledge whether common ownership exists among these various mills that replied to your questionnaire?

A. That is right.

Q. But if it were brought to your attention that the common ownership did exist among these mills, in a great many cases, and that two and three plants of five and ten thousand spindles each were owned by the same corporation through various subsidiaries, would you

say that in such a case, that they were deserving of the special attention that you have been pleading for?

A. Yes, I do, in comparison to a large mill, because they have to have the same supervisory help, they have to have a superintendent and the supervisors in the small mills, whereas, if they were located in one building, or in an aggregation of buildings in one place, they wouldn't need that.

Q. Well, there is a dividing line, isn't there, between the amount of work that one man can do, rather there is a limit to the amount of work that one man can do, you cannot say that one man can supervise 10,000 employees, can you?

A. Oh, there is a limit to what anyone can do, yes, but if one can take care of, say—I don't know just how many he can take care of, but, say, if the average is around 500 and there are 50 employees, and they have, say—this of course is not any indication of a break-down of these mills, I don't mean that, but certainly the overhead cost there would be a great deal higher if that man only could take care of 50, and he was capable of taking care of 500.

Q. I believe you stated that the answers indicated that 28 mills had closed?

A. That is right.

Q. In the last 12 months. Do you mean textile mills?

A. That is right, cotton textile mills.

Q. Do you know from the answers to that questionnaire what reasons they gave for closing?

A. Well, as I indicated in the brief, some said that it was because of the imposition of the 25-cent minimum, and others said that it was because of general conditions in the cotton textile industry.

Q. Do you know how many of the 28 said they closed because of the 25-cent minimum?

A. No; because as a matter of fact in some cases we could not get to the owners of the mill.

Q. Were these questionnaires signed by anyone when they were returned to you?

A. Some of them were. I don't recall what spaces we had there for signatures. Some were signed and some were not, I think. They had the name of the mill on them.

Q. They did not indicate who filled in the questionnaire?

A. In some cases it did, I believe. I don't recall, down at the bottom, if we had that on there or not. I don't happen to have a questionnaire. Is there a space of it?

Q. There is a space for the name of the plant.

A. For the name of the plant. Then the name of the person that filled it in, I noticed it was given many times, and other times it was not.

Q. You prepared this questionnaire yourself?

A. That is right.

Q. Don't you think it would have been wise to have affixed to it a place for an oath to be taken as to the truthfulness of these statements made?

A. I just assumed that they were telling the truth. I had no way of thinking that they would not tell the truth. It just didn't occur to me.

Q. You are rather idealitic instead of realistic?

A. Yes, sir; very.

Q. You stated in your prepared statement, this may not be the exact language, I summed it up as follows, that greater gains can be made through lower prices and lower hourly wage rates. Is that a correct statement of your views?

A. Did I make that positive statement, that greater gains can be had? Where is that? I don't think. I made that positive statement.

Q. That was made——

A. I think I said it may, I don't recall. Do you know what page it is on?

Q. I didn't have a copy of your statement. You were talking about the purchasing power and the fact that 32½ cents is likely to widen the margin between what the farmer gets and what he sells, and what he has to pay for what he buys.

A. That is right.

Q. In that connection you went on to say that the greater gains can be made through lower prices and lower hourly wage rates?

A. I think I said that "oftentimes." I don't think I made that positive statement because I haven't the proof of that.

Q. Isn't that an argument for a very low standard of living, that the lower we make our prices and the lower we make our wages the more prosperity we are going to have?

A. No; if prices go down in proportion, I think you will have just as well—if you can buy cheaper, as a housewife, I would say that.

Q. In other words, you think the Chinese or Japanese system of paying very low wages for work, and also paying very little for what you buy is to be preferred to our system?

A. No; I don't think there is any comparison between the Chinese system. They don't have what we have. They can't buy the things. They have low wages and cannot buy them. They are told what to eat in the way—I think the Japanese are developing all kinds of substitutes for foods, and that sort of thing.

Q. If you increased prices and also increased wages isn't that going to increase the amount of money in circulation?

A. Provided you don't create unemployment.

Mr. McKELVY. She is not an economist.

Mr. NATHAN. Are you objecting on that ground?

Mr. McKELVY. Yes, I will object on that ground. She didn't qualify as an economist. He is asking strictly in the realm of economics.

Mr. NATHAN. She may not be qualified to speak as an economist, but she did choose to do so in making these statements, and I am merely going further into it.

Administrator ANDREWS. I believe the witness answered the question anyhow.

Mr. NATHAN. Yes.

Q. You spoke of the farmers' incomes in one part of your statement. Just for my own information, speaking of farmers' incomes, do you include the farm benefits and soil conservation benefits that they received?

A. Yes, I think I noted that in one of the tables, that that included both. I think we give both, it excludes them and includes them.

Q. You also said that a slight increase in cost will cut down purchasing. In that connection, I think you said 5-percent or 10-percent increase in cost for wages would increase the cost of the product, and that in turn would cut down the total amount of purchases?

A. I said in that connection, as I recall—I can't find it right here now, but that that often has more significance a 5- or 10-percent increase, than is apparent at the time that you look at it. You may say a 5-percent increase in a shirt isn't so much, but it depends upon the amount of money that you have to spend.

Q. Well, do you have any information as to whether the various sales taxes of 2 percent and 3 percent existing in some states has had the effect of cutting down the volume of purchases?

A. No, I have no information on that.

Q. Just one other question, in regard to the housing facilities that are furnished by the mill owners, you said that in some instances the mill owners saved the employees around, say, $100 a year in living costs?

A. That is right.

Q. As a result of the cheaper charge for rent?

A. That is right, that is from the report that they made, on the basis of what they charge their mill employees, and what the employees could get, I mean could rent comparable housing for.

Q. Do you know what percentage of return on the investment is made by the mill owner for housing, as allowed under the Fair Labor Standards Act?

A. No, I do not.

Q. Do you know why in some instances mill owners have found it necessary to build mill villages?

A. Well, from what they have told me there are not enough housing facilities available close to the mill to take care of them.

Q. So it is to the mill owner's advantage as well as the employee's advantage that these houses be constructed?

A. Not necessarily, no; because in small communities you have to live adjacent to one another anyway.

Mr. NATHAN. That is all.

Administrator ANDREWS. Are there any other questions?

By Mr. PITTS:

Q. Just to clear up one matter that both Mr. Abt and Mr. Nathan have questioned you about, when you spoke of the 25,000-spindle mill, and by your own calculations, you calculated there would be 500 employees, did you not?

A. No; we were speaking of 20,000-spindle mills, and we calculated that there were about 370.

Q. 370.

A. And I said there might be between 350 to 370.

Q. On either basis, your answer is confined to a mill which spins only, and has no weaving shed or dyeing and finishing, it is not an integrated plant, in other words?

A. Yes; it probably includes some. I couldn't say whether it does. It includes both spinning and weaving in some cases; yes.

Q. In that case there would be a much higher number of employees, would there not?

A. In what case?

Q. If it included weaving or dyeing and finishing as well?

A. No; I doubt that, because from my talks with mill owners I find some of them are as low as 34 to 44 spindles per person. It seems to me this is fairly high.

Q. Let's get at it in another way.

A. All right.

Q. In your questionnaire, you have asked for the number of employees of each person signing it?

A. That is right; yes.

Q. Do you have the average number of employees of the 98 plants who did reply?

A. We have 21,269 employees and we had 92 plants.

Q. 92?

A. Yes, because I said we used the reports, you recall, of 92. We had 98 returns and we used 92, so that would be about 230, just about on an average.

Q. Could you tell us the maximum number, the plant that reported the maximum number of employees?

A. No; I don't recall that.

Q. You don't have that broken down?

A. No; I don't.

Q. In your direct testimony, I believe you stated that persons answering your questionnaire have said they

could not continue operations under the 32½-cent minimum?

A. That is right.

Q. Unless there might be some increase in prices?

A. In prices, that is right.

Q. What was the date of that questionnaire, the date of your receipts of the replies?

A. Well, they were sent out right after May 27, and they were received between that time and now.

Q. Now?

A. Yes.

Q. You have been getting them in right up to the present?

A. Yes, I have, right up almost to the last day or so.

Q. You do recognize that there has been an increase in the price of print cloth of some 8.8 percent in the last 30 days, do you not?

A. Yes, that is right.

Q. So that the conclusion given by at least some of those persons answering the questionnaire is minimized to the extent there has been that considerable increase in prices?

A. If that increase has affected them, if they have seen any effect of that, but in 30 days it is pretty hard to tell. They may not have sold their goods.

Q. To that extent they are in a better position perhaps?

A. Yes, perhaps.

Q. There is one matter in connection with your direct testimony that I would like to have cleared, solely for the purposes of clarity of the record.

A. Yes.

Q. On page 76, you have a table entitled "Geographic Distribution of Products"?

A. That is right.

Q. And you have the heading "South" and "East"?

A. Yes.

Q. I wonder if you could tell us what areas that comprises?

A. Yes. I don't know whether I can name all of the states, but in the East I included the middle Atlantic and Northern states—what is it, Northeastern states, I believe, that census classification.

Q. You have the Northeastern states?

A. Yes, and the middle Atlantic states.

Q. Middle Atlantic states and what other states?

A. That is all, in the East.

Q. The "East" classification does not include North and South Carolina?

A. No, no; that is in the South.

Q. That is in the South?

A. Yes.

Q. That is what I wanted cleared up.

A. That is right.

Q. In your direct testimony you mentioned the extent, you made some calculation of the extent of the 32½-cent minimum on employees receiving more than that minimum?

A. Yes.

Q. Estimating it on the basis of your questionnaires at about 13.5 percent as I recall it. That is the total wage increase. I would like to correct that.

A. Yes, that is on one method, one way of figuring it, and then the other way it was 12.45. That was on the basis of just making an arbitrary assumption that a 15-percent increase would apply to those above the minimum.

Q. Above the minimum.

A. Yes; and of course that arbitrary, you could say ten or twelve.

Q. Is that on the basis of the answer to your questionnaires?

A. Yes; that is right.

Q. By the way, do you have any data showing the extent to which there was an increase above the 25-cent minimum when the 25-cent minimum went into effect?

A. No; I don't. I wish I had gotten that after I sent the questionnaire out, but I was afraid I wouldn't get enough replies, if they had to answer so many questions, but I would like to have had that broken down.

Q. It would be very helpful.

A. It would be; yes.

Q. Did you say what the ratio of laboring cost to total manufacturing cost was of those persons who answered your questionnaire?

A. No; I didnt. I just broke them down in those two groupings of coarse cotton yarns and twills, drills, and sheetings.

Q. What is the ratio of labor costs in those two divisions?

A. In the coarse—that was again—that was on the basis, in the coarse cotton yarns—it was on the basis of ten returns, which I indicate would not be entirely conclusive. The labor costs were 23.8 percent of the total.

Q. That is coarser goods?

A. That is right, yarns, coarse cotton yarns.

Q. Coarse cotton yarns?

A. That is the ones that actually reported and said that is what it was.

Q. You have no similar figure for the other products?

A. The only figure I have for the other products is that of the 25 mills that reported on drills, twill, jeans, and sheetings, and that was 29.2.

Q. On the basis of your own calculations, your outside calculation of the increase in labor costs of 13.5 percent——

A. Yes.

Q. And on the basis of the 30 percent ratio of labor costs to total costs, there could not be more than 4 percent increase in the finished price of any of the goods of those mills reporting, is that true? That is the increase of 4 percent in total manufacturing costs?

A. Of course we have no way of knowing what increases occur in overhead expenses due to this.

Q. Can you anticipate that?

A. There must be some.

Q. In overhead?

A. Yes; because your Social Security Taxes will go up, and other increases I suppose that affect overhead, so that there ought to be something more than just the labor costs.

Q. Your labor costs, of course, will be the one thing directly affected by the increase attributable to the establishment of a minimum wage, will it not?

A. No; your Social Security taxes will be affected.

Q. Which is at most 3 percent of the total?

A. Yes.

Q. So that it would possibly then be 3 percent of 13.5 percent, would it not?

A. It is getting sort of complicated.

Q. No more, in that case, than a 14-percent increase in your wage bill. Can you find any other increases in cost attributable to the establishment of the 32½-cent minimum outside of wages and Social Security?

A. Well, except this, that usually overhead costs, in so many cases, are figured as a percentage of labor costs, total labor cost, and if the total cost of labor goes up, then that percentage, whatever they have found that

percentage to be, applied to a higher cost, will increase that overhead charge.

Q. You can give no items that will be increased in the overhead classification, is that not right?

A. Well, no, I am not qualified to say that because I have not studied—I mean broken down their overhead charges—I cannot say that I don't think there would not be any increase. I think I would have to have more information on that particular subject.

Q. On the basis of your own figures, then, there would be no more than four percent increase in the finished products?

A. That is on the basis of the calculations that you made from these.

Q. Which calculations I made from the figures?

A. That is right, I did say that.

Administrator ANDREWS. I was interested in your statement that you do not believe that the minimum wage can become a maximum wage, or even the prevailing wage, is that correct?

The WITNESS. Yes sir; that is right.

Administrator ANDREWS. Do you know that the opponents to minimum wages always use that as an argument against minimum wages?

The WITNESS. That is true.

Administrator ANDREWS. Did you calculate the labor costs in the wage cost on the hypothetical basis that if the 32½-cent wage minimum were approved and therefore the wages——

The WITNESS. No, sir; I didn't do that on any basis, any factual basis. I did ask several mill owners about that, and they said they just didn't know what effect it would have. One man did figure, and I don't know what basis he used, but he apparently used a basis whereby he thought he would have to increase it, and

10 broke even and 53 had a net loss. For the current year, 81 mills give the following information 11 were reported to be making a profit, 10 are breaking even and 60 are operating at a loss. . . .

In the small mill group of the South there are approximately six million spindles and at least 20 per cent of them have indicated they cannot continue to operate if the 32½ cent rate becomes effective, which is estimated will create unemployment for from 20,000 to 25,000 Southern mill workers who will be forced to seek employment in other channels, return to the farms or go on relief. . . . (2972)

EXCERPT FROM STATEMENT OF GORDON W. McKELVEY, COUNSEL FOR SMALL SOUTHERN COTTON MILLS.

Mr. McKelvy:

The Administrator will recall, I think it was on June 1st, that I conferred with him, in company with others, at which time we outlined that the small mill group wished to present evidence at the public hearing in connection with the 32½ cent proposed minimum rate. I believe that it was outlined at the time that the small mill group felt that certain things should be brought to the attention of the Administrator which they had been told had not been brought to the attention of the Committee, and we were engaged in trying to gather that information, but we advised that it would take us a matter of several weeks to get it together. It so happens that we were unable to get in all of the questionnaires in the time that we had, and although I appealed to the Administrator for additional time to do this, I was notified by air mail letter on June 22, 1939 that we would be required to appear at the hearing on July 6th and 7th and present our case. And I think that that statement will explain to counsel for the Committee and to Mr. Abt—

Administrator Andrews:

I asked—

Mr. McKelvy:

I haven't finished my statement yet.

Administrator Andrews:

All right.

Mr. McKelvy:

I think that will explain the inability and the difficulty that we had in trying to complete our case. When we

received that information, we had to stop the questionnaire business and start assimilating the information that we had collected, because we were told that we had to be there on July 6th and 7th to present our case.

Administrator Andrews:

Mr. Sherman is in charge of arrangements.

Mr. Sherman:

I think that the record should also show that the letter that was sent to Mr. McKelvy stated that he would be given until July 6 and 7 for the presentation of testimony, and if that time were not sufficient, that the hearing would be adjourned to Washington then.

Mr. McKelvy:

That is correct, Mr. Sherman. I did not intend to overlook that. That is true, and I thank you for mentioning it. But, at the same time, we found it impracticable to pursue any other course than we have, that it would be impracticable to solicit any further questionnaires on the subject, not knowing how much more time that we would have in the matter.

TESTIMONY OF R. D. SANDERS—(2972)

Mr. R. D. Sanders testified that he was a resident of Jackson, Miss., that he had attended school at Sewanee, Mercer University, Mississippi State College, and that he left school one year before he graduated to go into the World War, and that he spent about one year over-seas, and since then, had been engaged with his father in the textile industry. That the mills operated by him were owned by the Executors and Trustees of his father's estate, and that these mills were acquired and built up by his father, who had died about two years before at the age of 72. Most of the mills owned by this estate had been built by local capital, and had become bankrupt, and his father had taken them over at the request of the communities where they were situated. That the mills had been operated constantly during the depression, and that his family had always managed to keep them in operation so that the employees would be given steady employment, regardless of whether orders were on hand, or whether the mills were operated at a profit. (R. Pp. 2967-2972).

The said R. D. Sanders further testified as follows:

I am president of the Aponaug Manufacturing Company and the J. W. Sanders Cotton Mill, Inc., corporations which have their general office in Jackson, Mississippi, and which operate five cotton mills in the State of Mississippi, located as follows: Kosciusko, Winona, Starkville, Magnolia and Meridian. We also own a yarn mill at West Point which is not now in operation, and we have up to recently owned and operated a cotton mill at Prichard, Alabama, outside the City of Mobile. These mills manufacture various types of goods. (2973).

The mill located at Kosciusko has 27,540 spindles and 1,128 looms. It now employs 439 persons, and manufac-

tures pillow ticking, ginghams, chambrays, and other dress goods. . . .

The town of Koscuisko is located in an agricultural community, having a population of around 3,200, according to our information. It is the county seat of Attala County. Kosciusko is the largest town in the County, and our mill is the largest employer in the County.

There are located in Kosciusko several other small factories or manufacturing plants such as a creamery, a Pet Milk Plant, an ice plant, and a large lumber mill. The lumber mill and the Pet Milk Plant operate under the Wage and Hour Law. The Kosciusko creamery we understand pays its labor at the rate of $10.00 per week, and skilled labor about $12.50 to 19.00 per week, and employs 14 people.

The ice factory employs 7 to 10 hands, and they are paid 13½ cents per hour plus commissions. We understand that clerks in stores get paid from $7.50 to $12.00 per week. We have investigated with reference (2974) to prices on such

commodities as eggs, milk and butter, and house rent, and we find that eggs can be bought in Kosciusko at 15 cents per dozen, but in Jackson they cost 28 cents.

Milk can be bought in Kosciusko at 40 cents per gallon, and in Jackson it costs 52 cents. Country butter in Kosciusko sells at 30 cents per pound, being about the same cost as is maintained in Jackson. We find that rent outside the mill village is just about double that we charge the operatives.

The mill at Winona contains 8,736 spindles and 220 looms, and is now employing approximately 142 persons, and manufactures Cotton and Rayon Mixed Suitings.

The town of Winona is an agricultural community, having a population of approximately 2,600. It is located in Montgomery County, and is on the main line of the Illinois Central between Memphis and Jackson. Winona is also the County Seat of Montgomery County. There are no other manufacturing establishments in Winona.

There is a lumber yard which has one regular hand which they pay 15 cents per hour, and as occasion arises they get extra help for 15 cents per hour.

There is also an ice plant that employs 5 people. (2975) They pay 4 of these 15 cents per hour, and a fireman 17½ cents per hour. The clerks in the stores at Winona are paid in wages $1.00 to $2.00 per day. Farm hands earn $1.00 per day, and a great deal less where they are hired by the month.

We have investigated with reference to prices on such commodities as eggs, milk, butter, and house rent, and we find that eggs can be bought in Winona at 15 cents per dozen, but in Jackson they cost 28 cents. Milk can be bought in

Winona at 40 cents per gallon, and in Jackson it costs 52 cents. Country butter in Winona sells at 30 cents per pound, being about the same cost as is maintained in Jackson.

The mill located at Starkville has 13,440 spindles and 386 looms, and is now employing approximately 195 persons and is making print cloth and colored shirting.

Starkville is the County Seat of Oktibbeha County, located on the M. & O. Railroad, and is also an agricultural community. There is at Starkville the Borden Milk Plant, and a creamery, both of which pay 25 cents per hour, and they work 44 hours per week.

The oil mill is completely closed down. The farmers are paying common laborers, such as hoe hands and plow hands, from 40 cents to 60 cents per day. (2976). Mississippi State College itself pays only $1.00 per day for laborers working in the crops. Such laborers work from sun-up until sundown. We are told that the WPA laborers in that County have been paid 20 cents per hour, and this is now cut off, and on account of a large proportion of crops in Oktibbeha County being drowned out, there is no outside work available.

The mill located at Magnolia contains 13,440 spindles and 366 looms, and is now employing approximately 208 persons. It manufactures Narrow Sheetings. Magnolia is an agricultural community, and has approximately 1,600 people. Magnolia is one of the County Seats of Pike County.

Other industries are a Box Factory at Fernwood, which pays 25 cents per hour, and an oil mill which pays 25 cents —26 cents and 27 cents per hour. Most employees are paid 25 cents per hour. Farm labor is paid $10.00 to $15.00 per month and work from daylight until dark, and in some cases are given one meal per day.

Filling station operators are paid $5.00 to $10.00 per week, and work 60 to 70 hours per week.

Store clerks are paid $25.00 to $75.00 per month.

The compress contracts for labor, and gets it done for 15 cents to 17 cents per hour. Cafes and restaurants (2977) pay $4.00 to $8.00 per week, and furnish one to two meals per day. There are no other lines of work in Magnolia except the WPA, and this pay is around $18.00 to $24.00 per month.

The mill located at Meridian has 17,684 spindles and 432 looms, and is now employing approximately 209 persons, and manufactures bed ticking and Suitings. Meridian is the County Seat of Lauderdale County, and has a population of about 32,000. It is a railroad center, and also has several knitting mills, all of which pay minimum of 25 cents per hour. Laundries and Dry Cleaners pay help $6.50 to $12.00 per week, and work 60 hours. Filling station attendants are paid $5.00 to $12.00 per week for work of 60 to 70 hours. Restaurants and cafes pay $4.00 to $10.00 per week with one or two meals per day. Store clerks are paid $25.00 to $75.00 per month. The WPA pays $18.00 to $24.00 per month, but have been cut off for 60 days.

The mill at West Point has been shut down since October 1938, but it has 10,586 spindles and when in operation manufactures 40s/2 ply yarn for the trade.

When in operation on two shifts, it employs about 100 persons. West Point is an agricultural community, and it is the County Seat of Clay County. (2978).

There are at this time a cheese plant, a butter plant, a poultry and egg plant, a shirt plant, and a pajama plant in this town, all of which operate under the Wage and Hour Law, paying 25 cents per hour, but the shirt plant is running

only ½ time—20 hours per week. We understand that store clerks receive from $20.00 to $60.00 per month, as the case may be.

Cafes and restaurants pay from $5.00 to $8.00 per week, with possibly one or two meals per day. Filling stations pay from $6.00 to $8.00 per week, and work 60 to 70 hours or more per week. We understand also that the crops in this County have been drowned out.

Some few of the farmers are trying to replant, and we are told for what labor they hire they are paying $8.00 to $10.00 per month. The WPA laborers have been cut off for about 60 days.

The mill at Mobile contains 19,270 spindles and 528 looms, and is now employing approximately 160 people working just one shift, or 44 hours per week.

The mill at Mobile manufactures Narrow Sheetings and Drills.

The City of Mobile is the County Seat of Mobile County, Alabama. The town of Prichard at which the (2979) mill is located is just a small suburb of Mobile. Mobile itself has approximately 70,000 people, and is a port. There is one other cotton mill in the City of Mobile, and we understand that it shut down in the past few months, and will probably be liquidated.

In connection with each of their mills, our companies own a mill village in which most of the employees live. The number of houses in the various villages range from 30 to over 100. These houses are rented by the companies to such of their employees as they may accommodate, and the employees pay to the companies as rent from 25 cents to 40 cents per room per week. This rent includes in some in-

stances electricity; and in all instances water from the mill water system. These employees' houses contain from 3 to 6 rooms.

The amount of rent paid by the employees for such company houses is approximately ½ the amount of rent they would be compelled to pay if they rented from other people.

Combining the figures I have given with reference to each of the mills, the companies own 110,696 spindles and 3,060 looms, and employ at present a total of about 1,353 operatives.

These figures are as of May 20th, 1939. On August (2980) 20th, 1938, we showed employment of 1,718 persons, so that there has been a decrease in the number of wage earners employed by our corporations of 365 from August 20th, 1938, to May 20th, 1939.

The cost of living in the small communities in which the mills are located is substantially less than the cost of living in the City of Jackson, although the cost in Jackson is not considered above the average.

The fact that the mills are located in rural or agricultural communities enables the employees to live satisfactorily with less outlay of money. Many of them have gardens, many of them have cows, and all of them are able to buy green beans, cabbage, potatoes and similar vegetables at cheap prices from peddlers' wagons.

The employees in the mills these companies operate are paid wages ranging from 25 cents to 60 cents per hour. Of the 1,353 people we now employ, over 1,000 of them are paid at the rate of 25 cents to 30 cents per hour; 127 are paid at

rate averaging 30 cents to 37½ cents per hour; 75 of them are paid wages averaging from 37½ cents to 45 cents per hour; and there are 19 paid wages averaging from 45 cents up to 60 cents an hour. (2981).

The total wages paid employees during 1938 were $818,021.58. The wages paid for the first four months of 1939 aggregated $239,235.73.

If the minimum wage of 32½ cents per hour had been effective during these first four months of 1939, we would have had an additional wage cost of $44,497.84, representing an increase of 18.6 per cent above the wages actually paid during that period.

For the period covering the first 17 weeks in 1939, or ending April 30th, these companies showed a large net loss. This loss was incurred by operating and paying the wage scale set out in the table above mentioned.

Attention is called to the fact that these companies have been operating during this period on a minimum wage of 25 cents per hour to their employees.

If these companies had been operating during this period between January 1st, 1939, and April 30th, 1939, on a basis of a minimum wage of 32½ cents per hour, as has been recommended by Industry Committee No. 1, they would have incurred an additional loss amounting to approximately $44,497.84.

This additional loss would have been increased if employees making wages less than 32½ cents per hour were raised only to the 32½ cents per hour minimum, (2982) and

without making any adjustment in the wages of any employee who now receives as much or more than 32½ cents per hour.

If the companies had been operating on the minimum wage of 30 cents per hour instead of upon the basis of 25 cents per hour, during the first four months of 1939 they would have had an additional loss of approximately $28,708.29.

Had the 30 cents minimum wage been put into effect October 24th, 1938, instead of the 25 cents minimum wage, our operating loss would have been increased by approximately $15,454.29. Had the 32½ cent minimum wage been put into effect instead of the 25 cent minimum wage, our operating loss would have been increased by approximately $23,954.15. In computing this additional loss no consideration has been given to any increase in the wages of any employee who receives as much as 32½ cents per hour, and cost figures relating to the mill most efficiently run have been used.

Therefore, during the entire year 1938 and during the first four months of 1939, our companies have lost and are continuing to lose money in the operation of their mills. They are now paying their employees on the basis of a minimum wage of 25 cents per hour. If (2983) that minimum is increased to 32½ cents per hour as recommended by the report of Industry Committee No. 1, under present market conditions the companies cannot continue to operate, and will be forced to close their cotton mills, resulting directly in curtailing employment to the extent of more than 1,300 employees now employed, and communities in which mills are located will lose payroll of about one million dollars annually. In addition to the direct unemployment of over 1,300 per-

sons, the closing of the companies' mills located in the various small communities of Mississippi will have a very marked effect upon business conditions, and employment generally in those communities in that it will indirectly cause unemployment to a great number of persons other than the 1,300 employees of the companies who are directly affected.

The companies are having great difficulty in continuing their operations under present business conditions at the present wage scales, and if such wage scales are increased to a minimum of 32½ cents per hour, these companies under present market conditions will certainly be forced to cease operating their mills.

Unless market conditions improve greatly, the increased labor cost resulting from an increased minimum (2984) wage cannot be compensated for so far as these companies are concerned by increasing the selling price of their manufactured products. The products manufactured by these companies are in competition with products brought into the United States from abroad which can be and are produced in foreign countries a great deal cheaper than such products can be manufactured by these companies.

In addition, the manufactured products of these companies are in competition with rayon, jute, paper, and other similar products, and any increase in the sale price of our manufactured products would cause us to lose our present market. Approximately 75 per cent of these companies' manufactured products are now sold in that part of the United States North of the Potomac and Ohio Rivers, and East of the Mississippi River.

During the year 1938, and the first 5 months of 1939 approximately 70 per cent of our manufactured products were shipped by rail, and our transportation costs to our markets

are substantially higher than are the transportation costs of cotton mills located in New England and the Northeastern part of the United States.

Most of our products are unfinished cotton goods, and most of it has to be transported by rail to finishing (2985) plants in North Carolina, South Carolina, Tennessee, Missouri, and New England for finishing. This increases our transportation costs above those of competitive cotton mills located in the Northeastern part of the United States.

The employees and operatives in the cotton mills in the Northeastern part of the United States are on the whole more skilled and more efficient than are the employees and operatives employed in our mills.

The employees in our mills are largely recruited from the farm districts in and around our mills, and are not on the whole experienced cotton mill operatives. Furthermore, a large number of them go back to the farm during the crop season.

The machinery in our mills is not entirely modern, and is not as efficient as some of the mills in the South, although in some instances we manage to get as much as 90% production, and it may be possible to decrease the labor cost to some extent by installing certain labor saving machinery, and to this end we have made certain study, and we believe we can increase the efficiency of our machinery, and generally speaking, we believe we can install certain labor saving machinery and increase the efficiency of the operation of the mills, and reduce the number of operatives by (2986) approximately 125.

This will require, however, an expenditure of approximately $350,000.00 assuming that such funds could be obtained.

These companies are controlled by the Trustees of the Estate of Mr. J. W. Sanders, the entire stock being owned by the said Estate. . . . (2987)

I will answer that by saying that Mississippi is an 85 per cent agricultural state as compared to about 21 per cent I understand for the country as a whole, and about 7 per cent for New England.

These people that work in our mills are people that have lived for generations right around that community, in that vicinity, and have not been imported in there from the large textile centers, and they come in and learn and work there, and they are not naturally mechanics, and they don't run as many machines as the operatives do in the large textile centers.

I might also say at this point that they are satisfied not to run such a large number of machines, and not to obtain extra compensation for so doing. Their living costs are considerably lower, and if and when I try to urge them to run more machinery and get more pay therefor, they become dissatisfied and quit and go back to the farm. . . . (2988)

They come from the agricultural communities, little communities around Kosciusko, and the farms adjacent to Kosciusko, and quite a large number of the workers live on farms all the time, they never do move into the mill village. Some of the folks will stay out on the farms and work crops, and two or three of them will come in and work in the mill. . . .

The wages that they receive on the farm are considerably less than those that they receive in the mill; I would say 25 per cent as much.

You mean that the farm wages would be 25 per cent of what they receive in the mill? (2989)

Yes, and that would be a very liberal estimate. . . .

Q. Mr. Sanders, are you acquainted with the other cotton mills in the State of Mississippi besides those owned by you.

A. I am.

Q. How many other mills are there in Mississippi?

A. There are three in Mississippi that are running at all. There are a couple of others that are in the process of being liquidated.

(2991) Mr. Sanders, you have stated that you have lost money all last year and the first few months of this year. If this 32½ cent minimum wage rate should be put into effect, do you see any way at all to keep operating these mills?

I do not.

Well, what would be the effect on, say, Kosciusko and Magnolia and Winona, Starkville and West (2992) Point if these mills should close down?

Well, the effect on any small community, of the main industry closing down, would be that in the first place the merchants who had been deriving benefits from that payroll would have their business very seriously curtailed, as would all of the professional and other businessment, and a state of gloom would pervade throughout the entire community. . . . (2993)

Please state your own experience in the cotton mill business, going back to the very beginning.

Well, of course, I was born and raised around cotton mills, and rubbed elbows with them, and the people working in them all my life, and played with them and fought with them, and about everything else that cotton mill people do.

And after I returned from the War, why, I went into the mill at Starkville as a helper in the office, and worked in there for awhile, and then went out into the mill to learn to weave and worked in there, and ran the warp drawing machines.

I went on from there through the other departments of the mill, card room, card grinding, and so forth, and from that point I moved to Kosciusko, where we had a little dye plant, to learn dyeing, and what little finishing we did there.

From that I became Assistant Superintendent of the Kosciusko plant and eventually was Superintendent of that plant and two others, and after that I became my father's chief assistant, and upon his death I took charge of the business. (2994) . . .

Mr. Sanders, it is in evidence in the case, in this case before us, by a witness who preceded you on the stand that the South is "Health Problem No. 1.", that you have in the South a couple of million people (2995) afflicted with malaria, one way and another, and you have hookworm and pellagra and other things like that.

And the inference was made that the cotton textile workers are one of the chief factors in these records. Tell us about, in general, what are the health conditions of the operatives who work in your mill? . . .

We have. Within the last several months we had the State Board of Health send their doctors and nurses around, in conjunction with our local doctors and examine everyone of our employees thoroughly, and make a thorough check, and we got a complete report on the (2996) health of each and every employee. And those that were not in the best of health or in need of any correction, that was taken care of. . . .

Let's take some of the diseases that the benighted state of Mississippi is supposed to be heir to, and se what you found there. Let's take pellagra, how many cases of pellagra wer found among the 1300 or 1400 people working in your mill?

Not a single case.

In the history of the cases given in that report, did any operatives give any history of pellagra?

No history of there ever having been a case of pellagra in any of our communities.

Take hookworm. Was any operative of any of (2997) your mills found to be suffering from hookworm?

No, sir, not a one.

What about the history of it, did any of them give a history of hookworm?

No, sir, they didn't.

Take tuberculosis. What percentage was found to exist of tuberculosis?

Tuberculosis, I have a breakdown of that here; Kosciusko, 2.5 per cent, Winona, none, West Point, none, Starkville, 1.4 per cent, Magnolia, 1.9 per cent, average, 1.16 per cent for tuberculosis. . . . (2998)

What about malaria, Mr. Sanders?

No malaria was found at all at any of the plants.

Blood tests showed no active reaction to the malaria test?

No malaria, no typhoid.

Some reference was also made in the same testimony

about run-a-way mills to the South, something being said about carpetbaggers, and that the South couldn't gain by robbing the North. Has any cotton mill come from any other state into the state of Mississippi in the last ten years that you know anything about, Mr. Sanders?

It never has that I know anything about.

As far as you know, has any tax exemption been given to any cotton mill in the state of Mississippi in the last ten years?

There has not.

Have any of your mills ever received any tax (2999) exemption privileges?

We did not. . . . (3002)

It is not. And we have plenty of land adjacent to practically all of our plants where we have timber that employees can go around and cut down all they want if they are a mind to cut it down and use it for fire wood or building fences, fencing in a garden plot or most anything else. And most of them do, that stay there very long, do take advantage of that fact, and have their cows and chickens, and so forth. . . .

. . . We encourage them to own their own little homes, and to have them, and in a considerable number of instances we have loaned them money to buy a piece of land so that they can borrow money from the FHA to build a house. . . . (3003)

All of our houses are infinitely better than the houses that people have been accustomed to living in on the farms. They all have good roofs, and have good windows in them,

and a good porch and steps, and of course we renew the steps every summer after they have burned them up for fire wood in the winter. . . . (3004)

They are as happy and contented as any people I ever saw. And they want to be let alone, and they told (3005) me so. And they don't want to be forced to run more machinery. I might say in passing that when the 25 cent minimum went into effect, why, we didn't put our people on more machines. We thought and hoped that market conditions would improve to such an extent that we would not be forced to do that. The hope almost ran out though.

Here two or three months ago we got all of the people together and told them that it looked like if we were to continue operating that they would instead of running eight to ten sides, that we would try it gradually and get them to run twelve to fourteen; instead of thirty-six to forty looms, we would try them on forty-eight to fifty-two looms. And they all fell right in with it, except for one plant, and they all said that they didn't want to do that, enough of them said they didn't to where we had to shut down one shift. . . .

There is less volume. On the numbers that we run, I will explain this as we go along so as to save further questioning, we run different grades of goods, but we don't run any real coarse goods. Take (3006) our Kosciusko plant, it is typical, we average running 30s warp, 40s filling.

And the employees there run ten to twelve sides, and thirty-six to forty looms. And, on work of a similar nature in the large textile centers they run up to as high as twenty sides spinning, and one hundred to one hundred ten looms. . . . .

Thirty-six to forty looms against one hundred to one hundred ten on print cloth numbers. That is what that is. . . . (3008)

. . . And one factor that has not been brought out sufficiently, I don't think, in addition to the freight rate differential is the fact that time is of the essence now-a-days, when people are buying from hand to mouth, and quite often our selling agents will want over night delivery that we cannot furnish, but they will says "Well, our customer says he can get it from the Eastern mills by (3009) truck overnight, and therefore we will have to give up the order in favor of him if you can't make a cheaper price". . . .

Well, I might say that owing to the very peculiar situation existing in Mississippi due to the fact that it is almost entirely an agricultural state, I wrote a letter to the Administrator prior to the advent of this law at all, of the 25 cent minimum, asking that someone be sent to Mississippi to investigate conditions there, and see that no injustice was done to those people, because they are going to be put out of work, and they won't have anything else to do if this is put into effect.

The fact of the business is the plants have been operated at a loss ever since the 25 cents per hour minimum (3010) practically has been in effect. I had a reply saying that there wasn't time to do that. Now, there has been plenty of time since then, and if there has been anybody there to investigate our conditions, they certainly haven't called on me. I would be glad to still make that request. . . . (3018)

I would say that a small mill is a mill under 25,000 spindles, and most of them that we contemplate are considerably under,—was built not as a part of an original plan

to build cotton mills, but was built (3019) as a separate unit contemplated at the time that is was constructed, first, with a larger per spindleage cost for buying, on account of the fact that it was a small mill; next, the taxes being greater per spindle than a larger unit; next the power demand being greater than a larger unit; that the man-power per thousand spindles for the operation would be larger than any mill of 100,000 or more spindles;

That the selling cost would be considerably higher, and I can go into the details of that, if you wish,—rather than like some of the larger mills that you have mentioned, like the Cannon Mills or the Riverside and Dan River Cotton Mills;

And another thing is the number of bales of cotton that you have to carry in stock per thousand spindles, or per any unit that you wish to consider in a small mill, and the larger mills are more elastic in the changing from one style to another.

As I have said about the power, they sometimes get the power for as little as one-half as the mills of our size are able to get it. These larger mills are able to purchase their supplies in carload lots and therefore, get a much cheaper rate on them. I do our own purchasing of supplies in addition to my other duties, and I know that we are able to buy only a very (3020) few items in carload lots, and I am entirely familiar with the savings that could be had by doing that. . . .

The clerical work per thousand spindles in a large mill is not as much as it is in a small mill, the separate units of a small mill. For instance,— . . . (3021)

The clerical expense attached to each small mill is practically as much to run any mill as it would be to run a mill of

25,000 spindles, because we have them approaching both classes and your overhead expense is a great deal more, because there is a certain type of help that you have got to have to run a mill at all.

Now, so far as segregating mills into one class or the other, and calling them small and large, I admit that it is just a matter of opinion as to whether you start at 25,000 or 20,000 or 15,000 or 30,000 spindles, but as I said, it is a relative matter, and I have come in contact sufficiently with the owners of large mills who certainly consider me a small potato in the cotton mill business, and I consider that all of our mills are small mills, and I feel sure that the rest of the gentlemen whom I conferred with concerning the size of mills feel the same way about it. . . . (3023)

Because at the time we did add to them, we were making a profit, and we felt that by—for instance, I will give you the Starkville plant as an example. It was built for a 5000 spindle mill, with its own power plant capable of handling, and the shafting and the pillars were put in there of sufficient size to handle about double that amount when the people in Starkville saw fit to increase the mill to that size, and it was built that way so that they could increase the size of it as soon as possible, but the people of Starkville ran the mill, and it fizzled out, and so we took the mill over. And when we made good with the mill, we did increase the size of it and have placed in on a better operating unit. It is now about ten or twelve thousand spindles. . . . (3040)

Now, with reference to this cost of living business (3041) that goes out, I am talking about statistical figures now, and I am telling you why I have no confidence in those that you quote. They sent somebody down there and they visited Hattiesburg, Mississippi, where it is completely a college

town. Everybody knows that the cost of living is high in a college town, higher than in other places. At least, that has been my experience. If they wanted the correct facts about the cost of living in a textile town,—then I might say that there are no cotton textile mills at Hattiesburg, Mississippi—why didn't they come over and visit some cotton textile town, if they wanted to get the correct figures on such matters? . . . (3043)

There are people in my mills that have been in there for the second generation. The mill is not made up of those kind of people, some of the people that are in there, and have been in there are, as I told you, superintendents and overseers in view of the fact that they did stick by the work. Most of them are in and out as farm, rural workers, farm hands, and alternately cotton mill workers, and they don't come from essentially mechanized families.

It is the same thing, it is a process of evolution that is going on in Mississippi, just as it (3044) originally did in the New England states. I will say for your information, which you probably already know, that the cotton textile industry in New England went through, sometime during those generations you speak of, the same process that it is going through in Mississippi, Alabama, Arkansas, Louisiana, and Texas at the present time. The cotton textile industry originally was in Old England, and they got so skilled at it over there that they got their wages and things jacked up so high and the hours down so low until they brought some of it over here to the New England states.

Then they got real skilled at it, and got to be first class mechanics, and got to making more money, and they began to making the finer class of cotton goods, and making machinery, and machine tools and such stuff as that, and the coarse part of the industry began moving South.

Then as they got more skilled, and as they went down the Atlantic Seaboard, the coarse part of the industry, seeking to compete with goods manufactured in other parts of the globe, moved on out where people were not so skilled and were willing to work longer hours and for cheaper wages, on that account.

And that natural process of economic movement will continue, if not accelerated by man-made laws, and by that process we will eventually be making the higher class (3045) goods, and improve the machinery and the tools, and so forth in the South Central states and the Southwestern states; and the coarser goods will all be made in the cheap labor countries, such as India and Japan.

But if it is accelerated too much, it will disappear altogether in these states where the labor is not highly skilled as it is in New England, and as it is getting to be gradually by the proper process down in these sections of the country. . . . (3051)

I think that the South as such should have a wage differential on account of the reasons stated, and I think that the small mills in the South are particularly in need of it, and that if they don't get it, it is going to form a major catastrophe in the South. . . . (3083)

TESTIMONY OF R. D. SANDERS (T. 3010)

The witness, a resident of Jackson, Mississippi, stated that he was executive head of J. W. Sanders Estate and of the cotton mills owned by it. He testified on cross-examination as follows:

Cross examination by Mr. BORKEIN:

Q. Mr. Sanders——

A. Sanders; please, sir.

Q. Sanders; I am sorry. Mr. Sanders, I believe that you signed a petition, among others, a petition to the Administrator for small textile mills operating 25,000 spindles or less, located in the states of Georgia, Alabama, North Carolina, Tennessee, Mississippi, Virginia, Arkansas, Oklahoma, and Texas, in opposition to the minimum wage rate recommended by the majority of Industry Committee No. 1?

A. That is right.

Q. Could you tell me how many signatures you added to that particular petition?

A. How many signatures I added to it?

Q. Or your representatives of your interests?

A. None.

Q. You didn't sign this petition?

A. Yes; I signed it; but I didn't add any to it.

Q. You mean you only added your own signature, you only had your own signature on this particular petition?

A. That is right.

Q. Did you sign—I don't have the original petition in front of me, and that is why I have to ask these questions, did you sign this petition solely for the individual companies which you represent?

A. Yes.

Q. May I therefore conclude that those entries on this petition here, representing your company, should only really have been one entry, representing your company?

A. Well, now, that is just a matter of statistics or bookkeeping, whichever one you may decide. I signed it for my companies. Now, as to the interpretation of it, as to how it should be handled, that is for you lawyers and statisticians to decide.

Q. May I ask you were you here when Mr. McKelvy offered this in evidence yesterday?

Mr. McKELVY. I didn't offer it in evidence.

Q. Offered it for inspection by counsel by offering it for evidence.

A. I may or may not have been. There have been so many things offered here until I have not attempted to keep up with all of them.

Q. Did you hear him say that this was offered for 100 small mills?

A. I don't recollect that I did.

Q. In other words, if some such offers were made, then you probably—there should probably have been only one representation for you?

A. We do operate seven mills.

Q. But it is only one company?

A. Two companies.

Q. But both are operated by the same trustees?

A. The same trustees, but not the same officers.

Q. Mr. Sander——

A. What is your name, please sir?

Q. My name is Borkein, and it is spelled B-o-r-k-e-i-n, and it is pronounced "Barking."

A. All right; I will call you something else in a minute.

Q. Where we came from, we don't even make such offers.

Do you class yourself as belonging to the small industry classification?

A. I do. I do.

Q. Could you tell me the total number of spindles owned by your two companies?

A. 101,000, they say here.

Q. In the State of Mississippi?

A. No; that includes Alabama—in the State of Mississippi it would be about 82,000.

Q. Have you lost any——

A. Oh, yes; we have lost some.

Q. You have about 100,000 spindles in all, and about 80,000 in the State of Mississippi?

A. Yes, sir.

Q. Do you know the total spindleage in the State of Mississippi?

A. No; I don't have those figures, but I could get them for you.

Q. Would you accept my information on that?

A. Subject to my comments on it.

Q. I gather that you are rather free with those. The total number of active spindles in the State of Mississippi in 1938 was 168,400.

A. Where do you get that information?

Q. That is secured from the publication of the United States Department of Commerce, Bureau of the Census, Bulletin No. 174, Cotton Production and Distribution, published in 1938.

A. That is about correct. We don't own all of them in Mississippi. There are three others operating, and I have one shut down that has probably been shut down since that report was made. And I do make reports to those people myself.

Q. Do you still maintain, in view of the fact that you own somewhere close to 100,000 spindles, that you are a small operator and a small textile mill owner?

A. Yes; I feel that way about it.

Q. You heard the testimony this morning, did you not?

A. Yes; a great deal of it.

Q. Did you hear the definition of "small owner" as being a mill owner under 25,000 spindles?

A. Yes, sir; I heard that.

Q. And in the face of that, you still maintain that you are a small mill owner?

A. I maintain that with the mills I do own, that they are in separate units of less than 25,000 spindles, and subject to the costs that go with operating units of under 25,000 spindles, and I will be glad to elaborate on that, if you wish.

Q. Are you acquainted with any of the large factors in the textile industry, I mean companies, not factors, in the technical sense, but companies?

A. Yes, sir; I know a few of them.

Q. Are you acquainted with the Bibb Manufacturing Company, just as an example?

A. Yes; I would know something about them.

Q. Would you consider them a large or a small operator?

A. I would consider them a large operator.

Q. Are you acquainted with any of their plants?

A. Yes; just in a casual way.

Q. Do you know how many spindles there are in the individual plants of the Bibb Manufacturing Company?

A. No; but if you will read them to me out of that book that you have, I will accept your figures.

Q. May I report to you that the Bibb Manufacturing Company, Mill No. 1, located at Macon, Georgia, has a spindleage of 15,000——

A. Let me comment on that.

Q. Let me complete my question first.

A. All right; go on.

Q. Mill No. 2 has a spindleage of 17,000; the Crown Mill of same company has a total spindleage of 4,960; the Star Mill—well, we will omit that, that is a woolen mill; and the Payne Mill has 18,000 spindles.

A. Will you give me the locations?

Q. They are all located in Macon, Georgia. And I will read you the spindleage at the Reynolds Plant. All of these that I have read are in Macon, Georgia, and at the Reynolds Plant, commonly known as the

Taylor Mill Company, at Reynolds, Georgia, there are 3,500 ring spindles in that plant.

A. Did you leave out Columbus, Georgia, by intent, or did you do it accidentally?

Q. Well, I will read Columbus, Georgia, to you. Columbus, Georgia, is 125,000 ring spindles?

A. Now, give us Porterdale.

Q. Where is it?

A. Porterdale?

Q. 23,000 spindles.

A. Oh, no. What is the date of that book that you are reading from, please?

Q. April 1939.

A. What year?

Q. 1939.

A. Well, I might say in answer to that statement that the Bibb Manufacturing Company is different from our small mills in that they sell their own products.

Q. Yes?

A. They sell their own product, and they have one mills that is far larger than all of ours put together, and that one is the one that you omitted, by mistake, I presume, and I think that your comparison is not a very fair one.

Q. Are there (sic) large—I will read another company to you. Take the Alabama Mills. Would you consider them a large factor in the industry?

A. I would not.

Q. You would not?

A. No.

Q. Would you explain why you do not consider them to be a large factor in the industry?

A. Well, they are pretty much like we are, just an association of small mills gotten together in some small communities and selling through a New York Commission house, and each little mill having to pay a rate

for power depending on the demand at that particular mill.

Q. You would then define a small mill somewhat differently than was defined this morning?

A. I can't be governed by what was said this morning, altogether.

Q. Well, will you please offer your own definition of a small mill?

A. Yes, sir; I will be glad to.

I would say that a small mill is a mill under 25,000 spindles, and most of them that we contemplate are considerably under—was built not as a part of an original plan to build cotton mills, but was built as a separate unit contemplated at the time that it was constructed, first, with a larger per spindleage cost for buying, on account of the fact that it was a small mill; next, the taxes being greater per spindle than a larger unit; next the power demand being greater than a larger unit; that the manpower per thousand spindles for the operation would be larger than any mill of 100,000 or more spindles.

That the selling cost would be considerably higher, and I can go into the details of that, if you wish—rather than like some of the larger mills that you have mentioned, like the Cannon Mills or the Riverside and Dan River Cotton Mills.

And another thing is the number of bales of cotton that you have to carry in stock per thousand spindles, or per any unit that you wish to consider in a small mill, and the larger mills are more elastic in the changing from one style to another.

As I have said about the power, they sometimes get the power for as little as one-half as the mills of our size are able to get it. These larger mills are able to purchase their supplies in carload lots and therefore get a much cheaper rate on them. I do our own pur-

chasing of supplies in addition to my other duties, and I know that we are able to buy only a very few items in carload lots, and I am entirely familiar with the savings that could be had by doing that.

Q. Are you through?

A. Oh, no; I am not near through yet.

The clerical work per thousand spindles in a large mill is not as much as it is in a small mill, the separate units of a small mill. For instance——

Q. Do you know what my question was, Mr. Sanders?

A. I am telling you what I consider a small mill.

Q. But you are not answering my question.

Mr. CAMERON. I think that he should be permitted to answer it. He is giving his definition of what he considers to be a small mill. That is what he was asked to do, and that is what he is doing.

Mr. BORKEIN. I object to that, because he is not answering the question that I asked him; he is delivering a long dissertation on something, and he is not answering the question that I asked him.

Mr. CAMERON. Go ahead, Mr. Sanders.

Mr. BORKEIN. I object to it, because he is not answering my question. What he says is not in answer to it. Read the last sentence in the definition of a small mill, that he is giving.

Administrator ANDREWS. Let him continue.

The WITNESS. I may be arguing it out here or stringing it out a little bit, but I am trying to explain by the statement that I am making, what I consider to be a small mill, but I will cut it just as short as I can.

The clerical expense attached to each small mill is practically as much to run any mill as it would be to run a mill of 25,000 spindles, because we have them approaching both classes and your overhead expense is a great deal more, because there is a certain type of help that you have got to have to run a mill at all.

Now, so far as segregating mills into one class or the other, and calling them small and large, I admit that it is just a matter of opinion as to whether you start at 25,000 or 20,000 or 15,000 or 30,000 spindles, but as I said, it is a relative matter, and I have come in contact sufficiently with the owners of large mills who certainly consider me a small potato in the cotton-mill business, and I consider that all of our mills are small mills, and I feel sure that the rest of the gentlemen whom I conferred with concerning the size of mills feel the same way about it.

Q. Mr. Sanders, could you tell me whether the operation of any one of your mills in the present spindleage, or a consolidation of those mills, is a matter of your own choice?

A. Please ask that question again, because I didn't get it.

Q. Could you tell me if the maintenance of your present mills with the present spindleage, in preference to consolidation of those mills, is one of your own preference?

A. I don't know whether I can answer that question, yes or no. I would have to explain to you that these mills were bought and not constructed. In some instances, we have added to mills, but we never have considered consolidating the mills, because it is self-evident that that could not be done.

Q. And that could not be done for what reason?

A. Because they are just too big to pick up and move from one place to the other.

Q. Do you use the same products in these various mills?

A. Not necessarily. We have some mills producing similar products to the others.

Q. Are they producing identical products?

A. No. They could. I am not trying to evade that question. They could.

Q. Then, the size of the particular mill which you are now operating at any one particular point is the one that you find most profitable to operate with?

A. That is right.

Q. Do you know if you have found it would be more profitable to operate a much larger mill there that you might have consolidated some of those mills?

A. No, sir.

Q. Or added to those mills?

A. We have added to some of those mills.

Q. And why did you add to those mills?

A. Because at the time we did add to them we were making a profit, and we felt that by—for instance, I will give you the Starkville plant as an example. It was built for a 5,000-spindle mill, with its own power plant capable of handling, and the shafting and the pillars were put in there of sufficient size to handle about double that amount when the people in Starkville saw fit to increase the mill to that size, and it was built that way so that they could increase the size of it as soon as possible, but the people of Starkville ran the mill, and it fizzled out, and so we took the mill over. And when we made good with the mill we did increase the size of it and have placed it on a better operating unit. It is now about ten or twelve thousand spindles.

Q. Did I understand you to say that the particular sized mills that you have are, on the whole, pretty well balanced in regard to machinery and in the operations of the various departments?

A. I don't think that you did understand me to say anything about that at all.

Q. Did you say that you found your particular sized mills that you maintain now, that you found them to be the profitable size to maintain?

A. No, I didn't say that either.

Q. Well, let the record speak for itself.

A. All right, let's have it.

Q. Mr. Sander, did you say that one of the qualifications for—that the definition for a small mill is a high power cost?

A. Yes.

Q. Do you maintain that your mills are handicapped by high power costs?

A. I do.

Q. Do you maintain that conclusion in the face of the general contention of the Governor of Mississippi that power costs in the State of Mississippi are lower—are the lowest in the Country?

A. I don't maintain anything in the face of the Governor of the State of Mississippi. I am just telling you about my plants.

Mr. BORKEIN. I want to enter here as Exhibit No. 7 of the Textile Workers' Union of America, a letter——

The WITNESS. I might add in connection with that, for the benefit of the Governor of Mississippi, that the power rates in Mississippi for larger units are comparable to the power rates in other states.

Mr. BORKEIN. I will read this letter.

(Exhibit No. 7 of the T. W. U. A., Witness Sanders, marked for identification.)

Mr. CAMERON. No. He seeks here to introduce a letter in evidence that purports to be a letter written by Southern engineers, signed by John C. Thompson to Mr. Henry H. Crape, of New Bedford, Massachusetts, neither of whom I ever heard of before, and certainly he can't introduce it by this witness. He hasn't asked him if it is a good document, or anything like that. We object to it being read into the record or put into the record unless it is properly identified and made competent in some way.

Mr. BORKEIN. Mr. Administrator, in order to make this document thoroughly competent, I am offering the letter of transmittal, which identifies this letter as the source and the signature and the persons whom it is supposed to represent.

Mr. CAMERON. May I see the identifying letter, please sir?

Mr. BORKEIN. Yes, sir [passing a document to Mr. Cameron].

Mr. CAMERON. This purports to be a letter to some attorney in the case, and Mr. Abt is not here to identify it, and it is purely hearsay, and it is not properly identified, and it has no relevancy, certainly, to Mr. Sanders' testimony.

Administrator ANDREWS. Counsel and I, in going over our rules and regulations, think that there is some question about this.

Mr. BORKEIN. I am asking Mr. Sanders here, he has maintained that his power costs are higher than those of larger mills, he has also further maintained that the power costs in his state were on a par with those in other states, and I simply want to cross-examine him further on that particular position that he has maintained.

Mr. CAMERON. I would like to say this: That Mr. Sanders didn't say anything approaching that. He said if you built more units in your plant, or bought more units of power, that you would get each unit cheaper as it increased, and that is all that he ever did say about that. And we submit further that this letter has no relevancy to anything before the Administrator.

Mr. BORKEIN. This witness has testified here about the power costs, and we have here a letter of the South-

ern Engineers who are engaged in spreading the good word about the State of Mississippi.

(Discussion had off the record between Mr. Sherman and Mr. Borkein.)

By Mr. BORKEIN:

Q. Mr. Sanders, may I ask you if you will still maintain your position in view of the statement purported to have been issued by the Southern Engineers to the effect that—which had been said to—which is purported to have been said in a letter sent to Mr. Henry H. Crapo, Gosnold Mills Corp., New Bedford, Massachusetts, under date of June 21, 1939 which reads as follows:

> Why operate with constant fear of labor troubles when Mississippi can offer so many opportunities and advantages in addition to freedom from this menace?
>
> Here can be found the lowest cost power in the country, low-price fuel and natural gas, convenience to many raw products, low taxes after exemption period is over.

I would like to ask you if you still maintain your power costs are out of line with the rest of the country?

A. I will say in that connection that I had nothing to do with that letter and I don't know the Southern Engineers although I live in Jackson, Mississippi, I never heard of them. But I do maintain, just as I have said before, that the small cotton-mill unit operated in Mississippi, or any of the other states that I know anything about, is at a disadvantage over a larger unit as to power costs, because these power companies sell their power on a demand basis, and the price goes down in proportion to the amount of power used. That applies to Mississippi and other states as well.

Q. Mr. Sanders, I suppose in joining with other people who call themselves small textile mills, you inquired as

to whether those textile mills were similarly situated as you were?

A. I didn't inquire about it. The people getting up the data probably did.

Q. Did you offer those people the definition which you have just quoted?

A. Offer what people?

Q. Offer the people who were collecting the data—did you inform them that, or make that inquiry of them?

A. Now, ask me that again. You are getting me all mixed up here.

Q. Well, I asked you in the first place whether you had inquired concerning the characteristics of the company with which you became associated and were referred to as the small textile mills, and your answer, I believe, was that you believed the people who had gotten the group together had?

A. Yes, sir.

Q. Now, I ask you whether you had offered your definition of a small textile mill to those people?

A. I couldn't say positively that I had. We got together and had a discussion, and I understood that all of the people present were in pretty much the same category as myself, and that is, that they operated small textile mills, and I do know by my own experience, and by so consulting with textile engineers throughout the territory about what the power cost does run for different units.

Q. Now, Mr. Sanders, you complained about competition from other companies in the industry, did you not?

A. Well, if I didn't, I will.

Q. Could you tell me where those mills—from which you receive competitive—who are your competitors—are located?

A. Yes; they are located all over.

Q. Can you tell me whether they are located in the South?

A. To some extent in the South, but to a larger extent as you go East and North.

Q. Could you tell me what proportion of your products are manufactured—that you manufacture are produced in the Northern mills, New England mills?

A. What proportion of my products are produced in Northern Mills?

Q. That is, competitors that produce similar products?

A. You have forgotten, I presume, that Miss Mager has gone off the witness stand, and I am not a statistician.

Q. Which products that you manufacture are manufactured in New England—can you answer that?

A. Yes; practically all of the products that I manufacture are manufactured in other sections of the United States.

But I am asking you about New England.

A. All right.

Q. Are those products manufactured in New England?

A. Yes; to a large extent.

Q. Do you manufacture carded yarns?

A. No; we couldn't stand the gaff on carded yarns, and we shut that mill down.

Q. Do you manufacture sheeting?

A. No, sir.

Q. Do you manufacture denims?

A. No.

Q. Do you manufacture primarily suiting?

A. No, sir.

Q. What do you manufacture?

A. We manufacture print cloth, for one thing.

Q. Well, let's stop right there. Where is the bulk of the print cloth in the United States manufactured?

A. In South Carolina, I would say.

Q. How much of it is manufactured in the New England States?

A. I couldn't answer that question.

Q. Would you accept the statement of the Census of Manufactures that in 1935—there are no 1937 figures yet—that in 1935 that of the total number of square yards of print cloth manufactured in the United States, that there were 2,501,000,000 total yardage of print cloth manufactured in this country, and of that total 2,205,000,000 were manufactured in the cotton-growing states?

A. I would say that that is as nearly correct as things of that kind usually go.

Q. Would you say that your principal competition in the print cloth is located in the Southern States?

A. I would say this—that if there are ten thousand yards of print cloth manufactured anywhere in the United States under conditions that compete with ours, that it sets the price of ours. It is the same condition existing about imports of cotton goods to this country——

Q. Let's just stay on internal competition for a moment.

A. I was going to explain what I meant by it, by giving you an example of something that anyone could understand.

Mr. CAMERON. Go right ahead, Mr. Sanders, if you want to.

Administrator ANDREWS. Continue, if you want to.

The WITNESS. We had the situation come up where we were trying to get out from under the cut-throat

competition of Japan; if the textile industry was subsidized by the Government instead of being legalized—and the evidence was brought up that there was such a small amount of Japanese textiles brought into this country that it need not be considered, and I made the point at that time that these goods were being brought into this country in competition with my goods, and that my customers in New York City were throwing them in my face and saying, "Here are the goods a cent a yard under yours, and I won't have any more from you." And I said to them that condition existed regardless of the amount of goods, and it will exist if any other place in the country manufactures any of the competitive products, you will be up against that same proposition, and if you have ever been a purchaser of cotton goods, you know that.

Q. I believe that you told us the hourly average earnings in your plant—what are they?

A. It is about 27½ cents.

Q. Do you know what the average hourly earnings in the northern cotton mills is?

A. I couldn't say, accurately enough to make a definite statement on it, but I have talked to engineers about that, and to people who are conversant with it.

Q. Would you tell me that you would accept the Government report as to the effect that the average hourly earnings in the northern textile mills is 44 cents an hour—would you say that that is substantially correct?

A. No; I wouldn't think so.

Q. With Government reports setting forth that figure?

A. The Government reports to the contrary notwithstanding, I wouldn't take it at that.

Q. Do you know what the union wage is by union contract in Fall River and New Bedford, Massachusetts?

A. No.

Q. Well, for your information, I will state that the testimony was offered in the Washington hearing to the effect that the minimum was 34.4 cents an hour.

A. The minimum?

Q. Yes. And let us assume that the 44 cents now is the average hourly earnings of the textile workers in the New England mills. How much difference is there, then, between your average and that in the New England mills?

A. You tell me—you are figuring it up there.

Q. 16 and one-half cents; is that about correct?

A. That is about correct, assuming that your other figures are correct.

Q. Would you believe that if you were paying 16½ cents less than a competitor of yours was paying, that such a manufacturer would have any advantage in labor cost over you?

A. Well, that would depend upon a considerable number of factors.

Q. You complained about the transportation costs, didn't you?

A. That is right.

Q. What is your relative position on transportation costs with respect to the print cloth mills in South Carolina?

A. Well, to explain that to you, I will have to go back a little bit and start at the beginning. We formerly had commodity rates on cotton goods because it was recognized by everyone concerned that New York was the market and while we didn't have the exact rates that other territories had, why, the rates were not put

on a class basis, they were not judged by a class basis, but the rates have been changed and the basis is the mileage, and so you can figure that out for yourself. The further you get from the market, the more you are penalized, and the closer that you get to the market, the more advantage that you have.

Q. So, you would consider yourself handicapped in competition with the South Carolina print cloth mills, would you?

A. I would consider myself penalized progressively as we get closer to New York; yes, sir.

Q. You testified that your average hourly earnings now are about 27½ cents, didn't you?

A. Yes, sir.

Q. What were your average hourly earnings before the N. R. A.?

A. Now, I don't have those figures.

Q. What were your minimum wages under the N. R. A.?

A. Do you mean during the N. R. A.?

Q. Yes.

A. Well, during the N. R. A. we had some sweepers and yard hands, colored help, who were getting as little as 15 cents and 17½ cents an hour.

Q. What was your general minimum in your mill?

A. I would say 17½ cents.

Q. For frame spinners?

A. No.

Q. What were frame spinners getting?

A. They were being paid by the side.

Q. What were they earning per hour?

A. I don't have those figures here, but it would run in excess of 17½ cents.

Q. How far in excess?

A. I don't have the figures with me.

Q. Would it be 45 cents?

A. 45 cents?

Q. Yes.

A. Well, no; you know that that is ridiculous.

Q. Would that be thirty cents?

A. I just couldn't say.

Q. Mr. Sander, were any complaints of violation of the N. R. A. wage provision filed against your concern?

Mr. CAMERON. We object to that, Mr. Administrator, and advise the witness to decline to answer.

Administrator ANDREWS. All right.

By Mr. BORKEIN:

Q. Could you tell me what was the average hourly earnings in your plant under the N. R. A.?

A. No, I wasn't called upon to testify at the hearing at that time, and I didn't get up any figures about it.

Q. Was your company found guilty of violating the wage provisions of the N. R. A. code?

Mr. CAMERON. We object to that, Mr. Administrator, and I advise the witness to decline to answer the question.

Administrator ANDREWS. Very well.

Q. Mr. Sander, you know nothing, then, about your wages during the N. R. A. period?

A. I wouldn't say that at all. You are now putting words in my mouth.

Q. What facts do you know about the wages in your plant during the N. R. A. period, paid by your company?

A. I know that we paid the N. R. A. wages.

Q. What was the N. R. A. wage?

A. It was a minimum of 30 cents.

Q. Did you pay a minimum wage of 30 cents throughout your mill, during that time?

A. We most certainly did.

Q. Were any of your employees paid less than such minimum when they were entitled to such minimum?

A. They were not.

Q. Do you make that statement in the face of the findings of the Textile Labor Relations Board, in respect to that question?

A. I make that statement in the face of any findings, Relations Board or whatnot.

Q. Do you make that statement in the face of the fact that the Textile Labor Relations Board withdrew your Blue Eagle for violating the Hourly Wages Code?

A. I make the statement that we didn't have a Blue Eagle.

Q. Could you tell me whether you increased wages above the level paid during the N. R. A. period, between 1933 and 1938?

A. Repeat that. I didn't get all of it.

Q. Did you raise the general level of your wages in your mill from 1933 through 1937—did you raise them by any particular percentage?

A. Yes, we raised them.

Q. At what time?

A. During 1936 and 1937.

Q. How much did you raise them?

A. Well, now, you won't hold me to this definitely, will you? I haven't got the figures. I will say that we raised them once about 10 percent, and once about—that is about all.

Q. Mr. Sander, have you reduced wages since that time?

A. Yes; we have reduced wages.

Q. When did you reduce such wages?

A. When business began to get bad.

Q. By about how much?

A. By about the same amount that we had raised them.

Q. Your present average wage, you say, is 27½ cents?

A. That is right.

Q. May I infer, correctly, that your average during the N. R. A. period was about 27½ cents?

A. No; you couldn't infer that.

Q. You make that statement in the face of the fact that you reported no increase was given—that you gave an increase in 1936 of 10 percent and withdrew that ten percent in 1938?

A. No; I didn't say that.

Q. Let the record speak for itself.

You indicated that your wages were in line with wages in other manufacturing industries in Mississippi, did you not?

A. Yes; I said that they were far above the average.

Q. Would you continue to maintain that position if I reported to you that the United States Department of Labor, Bureau of Labor Statistics, as was indicated by an offer in Washington, reports that in the State of Mississippi the average hourly earnings for cotton textile workers was 30.9 cents, and for all other manufacturing industries in the state it was 39.4 cents?

A. I would. I would say also in that connection that I don't have a great deal of confidence in these figures that people are sent down to Mississippi to get with a special purpose in mind.

Q. Mr. Sander——

A. Wait, now, and let me finish with you on this, first.

Now, with reference to this cost of living business that goes out, I am talking about statistical figures now, and I am telling you why I have no confidence in those that you quote. They sent somebody down there and they visited Hattiesburg, Mississippi, where it is completely a college town. Everybody knows that the cost

of living is high in a college town, higher than in other places. At least, that has been my experience. If they wanted the correct facts about the cost of living in a textile town—then I might say that there are no cotton textile mills at Hattiesburg, Mississippi—why didn't they come over and visit some cotton textile town, if they wanted to get the correct figures on such matters?

Q. Can you tell me if there are any textile mills in Hattiesburg, Mississippi?

A. No; there are none.

Q. Would you deny that the Julius Kayser Company has a plant in Hattiesburg, Mississippi?

A. They have a plant at Hattiesburg, Mississippi for the making of silk hosiery. I wouldn't deny that.

Q. Would you consider silk hosiery within the general broad classification of textiles?

A. That is just a matter of classification; I don't consider silk hosiery as being in competition with our products, it certainly doesn't compete with print cloth and sheeting and suiting and ginghams and chambrays that I make, none whatsoever. Furthermore, it takes a very highly skilled operator to operate one of those full-fashioned hosiery machines.

Q. How long have most of your employees been in your plant, or worked in your plant?

A. They have worked there ever since I have known anything about them; some of them have. Most of them. There has been very little labor turnover.

Q. And some of them are employed there in the second generation, is that correct?

A. Surely. Some of my overseers and superintendents were boys with me, and I was raised with them when we were boys.

Q. Are there any third generation?

A. I wouldn't remember back that far.

Q. Whether there was some possibility?

A. Well, there is a possibility as long as we go along from generation to generation, I feel that it is.

Q. Would you consider that your employees were agricultural workers?

A. Absolutely.

Q. In face of your previous testimony?

A. Absolutely because they are still agricultural workers, they are still agricultural people.

Q. How long does a man remain an agricultural worker?

A. Just as long as he stays on the farm.

Q. You testified that that worker had been in the mill, many of your workers, the second generation, many of your workers, the second generation (sic), the textile workers, have you not?

A. I think you ought to read that book "Cross Examination, Art and Artifice"—you are getting me to say some things that I don't mean here now. I will carry you back and correct that.

There are people in my mills that have been in there for the second generation. The mill is not made up of those kind of people, some of the people that are in there, and have been in there are, as I told you, superintendents and overseers in view of the fact that they did stick by the work. Most of them are in and out as farm, rural workers, farm hands, and alternately cotton-mill workers, and they don't come from essentially mechanized families.

It is the same thing, it is a process of evolution that is going on in Mississippi, just as it originally did in the New England states. I will say for your information, which you probably already know, that the cotton textile industry in New England went through, sometime during those generations you speak of, the same process that it is going through in Mississippi, Alabama, Arkansas, Louisiana, and Texas at the present time. The

cotton textile industry originally was in Old England, and they got so skilled at it over there that they got their wages and things jacked up so high and the hours down so low until they brought some of it over here to the New England states.

Then they got real skilled at it, and got to be first-class mechanics, and got to making more money, and they began to making the finer class of cotton goods, and making machinery, and machine tools and such stuff as that, and the coarse part of the industry began moving South.

Then as they got more skilled, and as they went down the Atlantic Seaboard, the coarse part of the industry, seeking to compete with goods manufactured in other parts of the globe, moved on out where people were not so skilled and were willing to work longer hours and for cheaper wages on that account.

And that natural process of economic movement will continue, if not accelerated by man-made laws, and by that process we will eventually be making the higher class goods, and improve the machinery and the tools, and so forth in the South Central states and the Southwestern states; and the coarser goods will all be made in the cheap labor countries, such as India and Japan.

But if it is accelerated too much, it will disappear altogether in these states where the labor is not highly skilled, as it is in New England, and as it is getting to be gradually by the proper process down in these sections of the country.

Q. Mr. Sanders, may I ask you this question, what year was the first mill of your company first built?

A. About 1900.

Q. That was the mill your father first established under his own ownership?

A. He took it over in 1912.

Q. What was his position in this mill in 1900?

A. He was not in it in 1900. He was over in Tuscaloosa, Alabama, trying to run a little mill of his own that he had gathered together. They wanted him to come over to Mississippi to start up this mill. It was shut down at Kosciusko. So he did come over at the request of the citizens in 1912.

Q. The mill had first been constructed in 1900?

A. Yes; that or thereabouts.

Q. Mr. Sanders, you indicated that you knew something about the cost-of-living figures. Do you know what the Bureau of Labor Statistics found as to the annual cost of living in Hattiesburg?

A. I saw something about it. I didn't pay much attention to it.

Q. Do you know the Bureau of Labor Statistics reports that the cost of goods customarily purchased annually by farmers of wage earners in small Southern cities on December 15, 1938, reported a total cost for Hattiesburg of $1,073 in comparison to, take another Northern town of Hanover, Pennsylvania, $1,055? Would you still maintain that living costs in Mississippi are lower?

A. Does that refer to the actual goods purchased or what they thought they should have purchased of those lines?

Q. I am asking you on the basis of those figures?

A. Well, what basis is it, that is what I am trying to get at.

Q. Those purchases, and the prices, were obtained by the Bureau of Labor Statistics as the prices current in those cities?

A. They set up a standard of how much clothes, how much food those people should wear and eat at those prices, did they not?

Q. In both communities.

A. Yes.

Q. In both Hanover, Pennsylvania, and Hattiesburg, Mississippi?

A. I think they are entirely erroneous, incorrect, misleading, and without any basis of fact or foundation whatsoever.

Q. Mr. Sanders, could you tell me whether you believe that—what type of construction print cloths do you make?

A. Oh, we make very little print cloth. We are running on some 36-inch 6/50s.

Q. Do you make any eight squares?

A. No. This mill that we make the print cloths at, we find that we couldn't make any money, couldn't make anything but a loss on it.

Q. You testified concerning the purchase of a mill in Mobile?

A. That is right.

Q. Were you interested in the purchase of that mill?

A. No; we didn't purchase it.

Q. No; I asked you whether you were interested in the purchase of that mill.

A. We purchased it away back yonder when we were gathering together this chain of mills.

Q. You testified that a mill was being offered for sale at this time in Mobile?

A. No; I didn't. No; I didn't. Get the record there and look.

Q. Could you refresh my memory then? In what connection did you report the fact that the plant in Mobile was being sold for $20,000 or was being offered for $20,000 less than it had been previously offered?

A. No; I told you that the mill in Mobile—that we formerly owned it until a week ago, and it had been sold. We sold that mill, and we do not now have it any more—that is, I hope.

Q. Mr. Sanders, could you tell me—you reported two mills having been closed, one in Mobile and one in McComb?

A. No; I didn't say that. I said the mill at Mobile was closed and the mill in McComb was accelerated up and running three shifts, according to my information, so as to look good for a sale, and it was offered to me for sale.

Q. Is that the plant concerning which you reported the $20,000 lower price?

A. $20,000 less than it had been offered to me previously.

Q. Were you interested in the purchase of that plant?

A. Well, no; I am not interested in purchasing it. The man evidently thought I was. I suppose he was just offering it around generally. He told me it was a confidential price, but then you know how that is.

Q. Could you tell me whether the plant in those cities—what company owns those two plants?

A. No; I don't know the name of that property. They went into 77B and reorganized and sold, and floated bond issues, and messed around so much that I have not been able to keep up with them.

Q. If I refresh your memory and suggest the name of it was the Standard—the owner of those two plants was the Standard Coated Products Company, would that help you?

A. That would help me to say they formerly owned it, but I am now informed it is the International Printing Ink Company or something.

Q. It went through Section 77B and is now liquidating all of its property?

A. That is my information. I can get that substantiated probably by some person present here, with his permission. He just came in.

Q. Mr. Sanders, could you tell me whether you are interested in the purchase of any additional mills?

A. Am I interested in it personally?

Q. Yes.

A. Does a cow want to buy any milk?

Q. Are you negotiating now for the purchase of any additional mills?

A. I am not.

Q. Will you then deny the statement in the public press to the effect that you are now negotiating with Charles A. Jones of the Birmingham Textile Company for a mill in Birmingham?

A. I will deny that most emphatically, that I am negotiating with him for the purchase of any mill, and say it is without any foundation of truth at all.

Administrator ANDREWS. Any other questions?

By Mr. PITTS:

Q. Could you tell us the ratio of your labor cost to the total manufacturing costs?

A. No, sir; I could not. I didn't know that I was going to be asked that question. It is not any information that I desire to withhold at all, and if it is material I could get that for you and would be glad to do it.

Q. Could you tell us the effect of a 30-cent minimum upon your own operations?

A. In what regard? You mean as regards the margin?

Q. Will that cause you to curtail operations in anywise?

A. Unless market conditions improve materially, it will.

Q. To what extent?

A. To probably 75 percent.

Mr. NATHAN. Just one question.

Q. By Mr. NATHAN:

Q. What prompted the making of that health survey earlier this year?

A. The prompting of that was the service offered by the State Health Department and Dr. Underwood, the head of it, nationally known health officer, former President of the United States Association of Health Offices, and they offered that service all around, if we would pay for the medicines, vaccines, and serums used, they would furnish the doctor and the nurses, and handle it, and we thought it was a very good plan and did enter into it in conjunction with our local doctors.

Q. Are you asking for a wage differential in favor of small mills?

A. I think that the South as such should hae a wage differential on account of the reasons stated, and I think that the small mills in the South are particularly in need of it, and that if they don't get it, it is going too form a major catastrophe in the South.

Q. You still say they need a diffential as against large mills in the South, would you?

A. I would say that, as I have said, and I don't think that that statement needs to be amplified any, that in addition to the Southern mills needing a differential, the small Southern mills particularly need it.

Administrator ANDREWS. Mr. Sanders, you testified as to the health of your workers. Do you think that is brought about partly by the fact Mississippi is a dry state?

The WITNESS. Well, that is something that I couldn't answer you, Mr. Administrator, because I have not had sufficient experience along those lines.

Administrator ANDREWS. Are there any other questions? Do you want to put on another witness, or go over until in the morning?

Mr. MCKELVY. I have six more here waiting.

Administrator ANDREWS. For this evening?

Mr. MCKELVY. Yes, sir.

Mr. CAMERON. Let me ask one question.

(Redirect examination.)

TESTIMONY OF TERRELL SPENCER (T. 3060)

The witness, a resident of Monticello, Arkansas, stated that he was connected with the Monticello Cotton Mills Company of Monticello. He testified on cross-examination as follows:

Cross-exarmination by Mr. SCHLEZINGER:

Q. Did you say the average hourly rate in your mill is 26 cents an hour?

A. Yes, sir; that is correct.

Q. Have you analyzed or figured out how much of an increase in labor costs you will have in the event the 32½-cent minimum is put into effect?

A. I sat down in my office a few days ago and I checked the last pay roll that was available at that time, and I extended the pay on each person who was under the 32½-cent rate to bring all of them up to 32½ cents, and those that were already above 32½ cents, I left as they were.

I found that to bring the minimum up to 32½ cents would mean an increase of 23.4 percent.

Q. 23.4 percent?

A. In our labor costs; yes sir.

Q. What percentage of your manufacturing costs is your labor cost, total labor cost?

A. I don't have those figures available. I have some figures, but I am not sure that the different items that you take into consideration in arriving at the total manufracturing cost is the same. I have some figures for April and May that I consider the percentage of the

total manufacturing costs, but I don't know whether they are in line with your views or not.

Q. Well, that's all right. You stated that the establishment of a 32½-cent minimum would force you to liquidate?

A. That is true; yes, sir.

Q. Have you analyzed the effect of a 30-cent minimum upon your plant?

A. No; I haven't made any detailed analysis, but in view of the fact we are already in the red under the 25-cent minimum, it is evident that the 30-cent minimum will amount to just that much additional loss for us.

Q. Do you believe your plant will be able to survive a 30-cent minimum?

A. No, sir; I do not. We have to have, we would have to have an improvement in market conditions. Of course we depend on that.

Administrator ANDREWS. Mr. Spencer, have you a workmen's compensation law in Arkansas?

The WITNESS. The law has been passed, but it has been challenged. It is now in abeyance, it is not in effect.

Mr. MCKELVY. That is all.

(Witness excused.)

EXCERPT FROM TESTIMONY OF L. E. BOWEN.

We dropped into a serious operating loss in the late fall of 1933, and, in spite of all we could do about it, our losses continued to increase weekly until we reached the point in April, 1934, of being compelled to discontinue operations entirely. And we thought at the time, permanently. We ran the process stock out and closed up the plant.

Our operatives were then out of work for the first time and as there was no other employment available in that community, they were reduced to dire circumstances. We permitted all of them to continue living in the houses, rent free. We knew that only a very few of them were able to get work in cotton mills in other towns, as practically none of them vacated their houses.

Naturally, the thoughts of abandoning the investment were distasteful to the stockholders, who, incidentally, were only three in number, and consisting of a father and two sons, and we began figuring on the advisability of doing some remodeling and modernizing and enlarging.

Somewhat against our better judgment, we installed, with the approval of the Code Authority, additional equipment sufficient to increase our productive capacity exactly 40 per cent. We increased the spindles, and the necessary preparatory and finishing equipment to enlarge the plant from a 7216 spindle mill, which it had from the time of our purchase of it to its present size of a 10096 spindle mill. We completed this enlargement in late August, 1934, and resumed operations.

This enlargement and improvement did help our operations wonderfully, and proved conclusively to us, in actual practice, that the larger the mill, the lower operating costs of all kinds. Our cost sheets, with no material change in margins over the cost of cotton, showed a weekly improvement of from $600 to $800. But even this improvement wasn't sufficient to stop our losses completely. We con-

tinued to operate during the remainder of 1934 and during the first seven months of 1935 at a loss, regularly each week. But the loss was smaller than the expense of a complete close-down, and we elected to run steadily. Parenthetically, that is the excuse on which all mills continue to operate during bad marketing periods.

TESTIMONY OF L. E. BOWEN (T. 3078)

The witness, a resident of Tifton, Georgia, stated that he was connected with the Tifton Cotton Mill. He testified on cross-examination as follows:

Cross-examination by Mr. NATHAN:

Q. Now, I want to speak to you as one South Georgian to another South Georgian.

Tifton, Georgia, is a very active business town, isn't it?

A. Tifton is one of the outstanding agricultural small towns in the State.

Q. It has tobacco, cotton, peanuts and all advantages that any one community could want in this state hasn't it?

A. I wouldn't say that it is all that they could want, but they have just about as many advantages as any of the others down that way.

Q. Have you any other interests in the community?

A. Yes sir, I have, and otherwise I wouldn't have been in the textile business now.

Q. And what are those other businesses?

A. I am in the automobile business and the banking business.

Q. Do you own a bank?

A. No, sir; I own some stock in one.

Q. What business is that that you own?

A. I am a partner in the Tifton Buick-Chevrolet Company in Tifton, Georgia.

Q. Where is your principal, or rather, where are your competitors principally situated?

tendent and he not only superintends the mill but is master mechanic.

We have paid no dividends to stockholders for many years and we have had no complaints from stockholders for they know the conditions. The controlling stock in the company is owned by the J. G. McPhaul Estate.

Right near me at Albany, Georgia, is the Flint River Cotton Mills which is a mill of 20,000 spindles and they have closed down and run out their stock—and over at Eastman, Georgia, is Eastman Cotton Mills and they have been closed for several months. There are many others in the South particularly among the smaller mills.

We have continued to run with one shift and we hope to continue but I know and the people know if this law (3085) is not amended and if the 32½ cent rates go into effect we will have to close. We know you, Mr. Andrews, do not want to see the small mills squeezed out and our people forced on the unemployment rolls.

I feel sure if the President of the United States knew the condition of this mill and many other small mills all over the country he would be the first one to ask for a change in the law so the small mills like the one I operate would not be squeezed out of the picture. I propose to see that he gets this information not only about this mill but others if they are forced out and someone else will have to take the responsibility for allowing them to be squeezed out. If the Congress of the United States knew the very facts I am telling you today they would be quick to see that we are not squeezed out.

If I had to rewrite the law:

I would ask for a minimum of 25 cents per hour which is $10.00 per week, and I understand the President wrote out a memorandum and gave it to Congressman Ramspeck when asked what he wanted on the wage-hour bill and it was $10.00 in the South and $12.00 in the North.

We have operated our mill continuously since 1903 with exception of 6 months during 1935 and never missed (3086) a payday.

In 1935 on account of processing tax of 4.2 per pound on cotton and no compensating tax on jute and NRA wages, we could not sell our product without heavy loss and we were forced to close down and our employees went on relief roll. This hurt me very much as I have always had the welfare of our employees to heart, their trouble was my trouble. I assisted them in every way possible helping some get jobs at other mills and others to get on relief roll. I know every employee by their first name and most of their children and it has been my policy to help them when any of them were in need.

Our mill is a training school for new employees and many of them go to larger mills when they have learned the trade with us, and we take on other new ones.

Many of our employees have gone out and made a success in the world, some teaching school, others in banks and mercantile. We have as good school facilities in our little town as you will find anywhere and our mill supports it by paying fully one-half of the taxes collected by the county and town to run it. Our village where most of employees live is clean and we see it is kept sanitary. We furnish (3087) 4 room house with water for $4.00 per month, the employees pay for the lights as they are furnished by Georgia Power Company.

Every family living in our houses have radios, some frigidaires and a good many own their own cars. Ten families own their own homes built from their earnings from the mill. We have 5 white churches and 2 negro churches in our town and our employees all attend some of these churches. You could not tell mill people from others by their dress.

Before our mill began operation Poulan was a town of about 200 people, today we have a fine little village of about 900 people and as happy a people as you will find anywhere on earth. Stately water oaks on each side of our streets and flowers and shrubbery around most of our homes. I have lived with these people most of my life and I am one of them; for almost 35 years I have had the management of this mill. I have given my life, my all to its welfare. I could have gone out somewhere else and done better than I have here but for the love of my people I preferred to stay here and labor with them. Ours is the only manufacturing industry in our county. The operation of our mill has furnished a market for many things grown by the farmer and to close it down (3088) will mean a loss to county, town, and all the people in the community. My life savings are in property here and to close the mill would mean more than 50% loss to me. I am getting too old now to get out and look for new fields. Could soon apply for old age pension but trust I will never have to do this.

Now, Mr. Andrews, we are looking to you to give us time to work out our problem and not force us out with a 32½ cent minimum. Our average wage today is above 25 cents per hour and if put to 32½ cents minimum it would mean average wage of more than 32½ cents per hour. If allowed to stand at 25 cents we can continue to operate.

We have some hands now making $15.00 per week while some others we have to donate some to bring them up to the 25 cent minimum and all on the same piece rate.

Our machinery is old but in good repair. To modernize would mean only to reduce employment. Give us a chance to live and we will do our best to keep our people employed.

This law should be amended so as to allow you to take care of small plants like ours so that old and sub-standard workers could have a chance to work and make a living for their families and I appeal to you, (3089) Mr. Andrews, to ask for an amendment to this law allowing small mills to continue at 25 cents per hour or $10.00 per week. . . . (3092)

A. My competitors?

Q. Yes.

A. The ones who manufacture the products are principally in the South or the East.

Q. You said that one of them was in North Carolina, I believe you were referring to, that testified in this hearing?

A. I don't know but one that has testified in support of the minimum that was a carded-yarn spinner.

Q. He doesn't have employees of the type that you described up north where they have very small backyards and practically no front yards, but he has the same type of employees that you have?

A. I am sure that they are equally as good as mine.

Q. And he has the same advantages or disadvantages that other Southern manufacturers have?

A. He has all of the advantages and none of the disadvantages.

Q. You don't intend to close your mill if the 32½-cent minimum wage goes into effect, do you?

A. If the present margin continues to prevail and they put the 32½-cent minimum on me, I will quit it so completely that there will be no doubt in anybody's mind that I have quit.

Q. Will these employees be able to do anything else in Tifton?

A. As I pointed out in my statement, they will not be able to get any employment in Tifton at as high a wage as I am paying them now, in any considerable number, and they couldn't possibly be absorbed in manufacturing in that county—not even a small percentage of them.

MR. MCKELVY. Are you through?

Mr. NATHAN. That is all.

MR. MCKELVY. That is all; Thank you.

(Witness excused.)

TESTIMONY OF FRANK M. KIMBLE—(3080)

Frank M. Kimble, who testified that he lived at Poulan, Georgia, and that he was County Commissioner of his county, and that he was manager of the Poulan Cotton Mills, a mill of 6032 spindles and employing 96 employees on one shift, having operated two shifts until the 25-cent minimum compelled them to get rid of some old and sub-standard workers, when they reduced to one shift. He further testified that

the average rate paid was between 26½ and 27 cents an hour, and that the advance to the 32½-cent minimum would certainly close down the mill; that Poulan, Georgia was a town of about 900 people, and that there was no other industry in the county, except a little ice plant in a nearby town.

Thereupon he testified further as follows:

The Poulan Cotton Mills, Poulan, Georgia, was organized in 1902 and started operations in March, 1903, and has operated continuously. Practically all the money for the capital stock was put up by the late John G. McPhaul who came to Poulan from North Carolina. He was a pioneer in the Naval Stores and Turpentine industry and after this was exhausted he put up the capital for this mill to furnish employment for the people in the immediate section.

Over 90% of all the employees who have ever worked in this mill was trained in it and came from nearby farms. It has always been impossible for farm hands to make much money and we have always paid wages much above that paid on farms.

No one can say that we are unfair competition because our costs, for on account of location from markets and training employees and even with low overhead, (3084) is as much as any competitor. We have a practical problem to take care of and we are not unfair competition for anyone.

We have had to operate as cheaply as possible in order to give our people employment and pay as high wages as possible. I, personally, manage the mill, buy the cotton, keep the books and do all of the billing and other office work; in fact, I am the only one in the office, and my salary is small for the work I do. The only other salary is that of the superin-

The mill located at Wetumpka now employs approximately 305 persons and manufactures whipcords, denims, tickings, hickory stripes, pinchecks, pinstripes and fancy suitings. The Town of Wetumpka is an agricutural community, having a population of 2,357, and is located in Elmore County.

Elmore County has a population of 34,280 and it an agricultural county. Wetumpka is the largest town in the county. The only other manufacturing plants located at or near Wetumpka are a lumber mill employing 10 employees and an ice plant employing 6 employees. The lumber mill pays its skilled employees 40 cents per hour and its semi-skilled employees 15 cents per hour. The ice plant pays its employees from 15 to 30 cents per hour.

The mill located at Winfield now employs approximately 234 persons and manufactures drills, twills, osnaburgs, sheetings, bird's-eye cloth and towelings. The Town of Winfield is an agricultural community. It has a population of 1,254, and is located in Marion County.

Marion County has a population of 25,967 and is an agricultural county. Winfield is the largest town in the county. Other than our mill, the only manufacturing plant located in Winfield is a small ice plant that employs 3 persons. Employees at the ice plant are paid wages at the rate of from 15 to 17½ cents per hour. (3100)

Employees of various stores, filling stations, hotels, warehouses, and persons seasonally employed in cotton gins, in the ten communities in which this company operates are paid wages ranging from 11½ cents per hour for extra employees in stores to 50 cents per hour for skilled mechanics in garages. Only one of such employees in one of the towns in

which we operate makes more than 50 cents per hour and he is employed by a hardware store.

Farm laborers in the communities in and about the towns where this company's mills are located are paid wages of from 50 to 75 cents per day on a daily basis with no limitation of hours, and on a monthly basis they are paid from $8.00 to $15.00 per month and board.

The figures stated with respect to the population of the various towns and counties are taken from the 1930 Federal census.

The figures stated with reference to employment by our company are taken from its payroll for the week ended May 31, 1939, and show a total of 2,702 employees on that date, although we ordinarily employ approximately 3,000.

The data with respect to other employment in the various communities are based on a recent survey made at my direction by our auditors.

In connection with each of its cotton mills, our (3101) Company owns a mill village in which a large number of the employees live. The number of houses in the various villages ranges from 29 to 35. These houses are rented by the company to such of its employees as the houses can accomodate and the employees pay the company a rental therefor of 50 cents per room per week.

This rent includes electricity furnished by the company up to 5 killowatt hours per room per month and it also includes free water that the company purchases from the waterworks sytem serving each of the towns. These employees' houses contain from 3 to 6 rooms.

TESTIMONY OF FRANK M. KIMBLE (T. 3090)

The witness, a resident of Poulan, Georgia, stated that he was connected with the Poulan Cotton Mills. He testified on cross-examination as follows:

Cross-examination by MR. BORKEIN:

Q. Who is the President of your corporation?

A. Dr. Vereen, Moultrie, Georgia.

By Mr. SCHLEZINGER:

Q. Have you made any study of what the effect of a 30-cent minimum would be upon your plant?

A. Unless there is an increase in the price of our goods, we would have to run at a considerable loss.

Q. You stated 32½-cent minimum would close you down?

A. I don't think anything about it; I know it.

Q. What about 30 cents; do you think it would have the same effect?

A. Now, we might try that, but I don't know whether we could operate unless we could get a better price for our goods.

Mr. SCHLEZINGER. Thank you.

TESTIMONY OF PAUL A. REDMOND—(3092)

Paul A. Redmond, who testified that he is President of Alabama Mills, Inc., and that he lived in Birmingham, Ala., and thereupon gave the following testimony with respect to the Alabama Mills, Inc. (3093)

It owns and operates ten cotton textile mills in ten small communities in the State of Alabama. These cotton mills are located in the Towns of Aliceville, Clanton, Dadeville, Fayette, Greenville, Haleyville, Jasper, Russellville, Wetumpka and Winfield, Alabama.

The mill located at Aliceville now employs approximately 408 persons and manufactures drills, twills, gabardines, semi-fancy suitings, sheetings and jeans. The Town of Aliceville is an Agricultural community. It has a population of 1,066 and is located in Pickens County, Alabama.

Pickens County has a total population of 24,902 and is an agricultural county. Aliceville is the largest (3094) town in the county. The only manufacturing plants, other than our mill, located in Aliceville are a lumber mill and that employs 40 employees, a small bottling plant for bottling soft drinks that employs 5 persons, a small ice plant that employs 2 persons, and a small iron and welding plant that employs 4 persons.

Employees at this lumber mill are paid wages of 25 to 35 cents per hour. Bottlers at the bottling plant are paid wages of 25 cents per hour and helpers are paid a wage of 17½ cents per hour.

Employees at the ice plant are paid a wage of 12½ cents per hour. Skilled mechanics at the iron and welding plant are paid 40 cents per hour, helpers are paid 25 cents to 30 cents per hour and porters 10 cents per hour.

The mill located at Clanton now employs approximately 238 persons and manufactures corduroys, gabardines, twills, towelings, jeans and semi-fancy suitings. The Town of Clanton is an agricultural community. It has a population of 3,363 and is located in Chilton County, Alabama.

Chilton County has a poulation of 24,579 and is an agricultural county. Clanton is the largest town in the county. The only other manufacturing plants located in Clanton are a lumber mill that employs from 7 to 10 employees, and an ice plant that employs 6 employees. Semi-skilled employees at such lumber mill are paid 25 (3095) cents per hour and skilled employees are paid on a graduated upward scale. Employees at the ice plant are paid from 10 to 25 cents per hour.

The mill located at Dadeville now employs approximately 254 persons and manufactures corduroys, gabardines, sheetings, jeans, twills and semi-fancy suitings. The Town of Dadeville is an agricultural community, having a population of 1,549 and is located in Tallapoosa County, Alabama. Tallapoosa County has a population of 31,188 and is an agricultural county.

Our mill is the only manufacturing plant located at Dadeville, except a lumber mill that employs 60 employees, and an ice plant that employs 5 employees. Semi-skilled employees at the lumber mill are paid 25 cents per hour and skilled employees are paid on a graduated upward scale. Employees of the ice plant are paid from 7¼ to 22½ cents per hour.

The mill located at Fayette now employs approximately 207 persons and manufactures drills and twills. The Town of Fayette is an agricultural community. It has a population of 2,109 and is located in Fayette County.

Fayette County has a population of 18,443 and is an agricultural county. Fayette is the largest town in the county. Our mill is the only manufacturing plant located at Fayette, except a lumber mill that employs (3096) 300 employees, an ice plant that employs 13 employees, and a small slaughtering plant that employs 3 employees.

Semi-skilled employees at the lumber mill are paid 25 cents per hour and skilled employees are paid on a graduated upward scale. Employees at the ice plant are paid 25 cents per hour. Employees at the slaughtering plant are paid 12½ cents per hour.

The mill located at Greenville now employs approximately 267 persons and manufactures bag sheetings. The

Town of Greenville is an agricultural community, having a population of 3,985 and is located in Butler County, Alabama.

Butler County has a population of 30,195 and is an agricultural county. Greenville is the largest town in the county. The only other manufacturing plants located at Greenville are a lumber mill employing 121 employees, an ice plant employing 6 employees, and a garment factory employing 30 employees. Semi-skilled employees at the lumber mill are paid 25 cents per hour and skilled employees are paid on a graduated upward scale. Employees at the ice plant are paid from 10 to 25 cents per hour. Employees at the garment factory are paid a minimum of 25 cents per hour.

The mill located at Haleyville now employs approximately 230 persons and manufactures sheetings, jeans, (3097) sateens, tubings, twills and towelings. The Town of Haleyville is an agricultural community, having a population of 2,115 and is located in Winston County. Winston County has a population of 15,596 and is an agricultural county.

Haleyville is the largest town in the county. The only manufacturing plants other than our mill, located in Haleyville are a lumber mill employing 30 persons, a bottling plant employing 8 employees, and an ice plant employing 3 employees.

Semi-skilled employees at such lumber mill are paid 25 cents per hour and skilled employees are paid on a graduated upward scale. Employees at the bottling plant are paid from 15 to 20 cents per hour. Employees at the ice plant are paid 10 cents per hour.

The mill located at Jasper now employs approximately 285 persons and manufactures unbleached drills, sheetings

and osnaburgs. The Town of Jasper is an agricultural and mining community. It has a population of 5,313, and is located in Walker County.

Walker County has a population of 59,445 and is an agricultural and coal mining county. Jasper is the largest town in the county.

Other than our mill, the only manufacturing plants located in Jasper are a leather goods manufacturing plant (3098) that employs 60 persons and pays its semi-skilled employees at the rate of 30 cents an hour and its skilled employees wages at the rate of 40 cents per hour; a lumber mill that employs 125 employees and pays its semi-skilled employees wages at the rate of 25 cents an hour and its skilled employees on a graduated upward scale; a bottling plant that employs 6 employees and pays them from 22½ to 43 cents per hour; a machine shop that employs 8 employees and pays them from 30 cents per hour upward on a graduated scale. The only other manufacturing plants located at or near mately 191 persons and manufactures sheetings, ducks, jeans, gabardines and semi-fancy suitings. The Town of Russellville is an agricultural community. It has a population of 3,146, and is located in Franklin County.

Franklin County has a population of 25,372 and is an agricultural county. Russellville is the largest town in the county. The only other manufacturing plants located at or near Russellville are a stone finishing plant that employs 27 employees and pays its apprentice employees 25 per hour and its regular skilled employees from 30 cents per hour upward on a graduated scale; a bottling plant that pays its bottlers 35 cents per hour and helpers 25 cents per hour; an ice plant that employs 8 employees and pays its regular employees 25 cents per hour. (3099)

The amount of rent paid by the employees for such company houses is substantially less than the amount of rent paid for other comparable houses in the various communities. Among our employees an average of 2.03 persons per family are employed in the mill.

The cost of living in the ten small communities in which our cotton mills are located is substantially lower than the cost of living in Birmingham, the largest city in Alabama.

Recently I had a comparison made of the prices of certain foods and found that eggs can be purchased in any of the ten small communities in which our company's mills are located at from 15 to 17 cents per dozen, whereas the price in Birmingham is 25 cents per dozen. (3102) Butter can be purchased in these communities at 20 cents per pound while butter costs 32 cents per pound in Birmingham. Milk in the small communities can be purchased from 7½ to 10 cents per quart while in Birmingham it is 14 cents per quart.

Chickens (fryers) can be purchased in any of the ten small communities at from 15 to 20 cents per pound while in Birmingham the cost of such chickens is 25 cents per pound. Green beans, cabbage, potatoes and other similar vegetables could be purchased in the ten small communities at approximately one-half the price paid in Birmingham for such commodities. House rent is a great deal less in the ten small communities than in Birmingham for the same facilities.

Our Company operated its ten mills at a loss all during 1938 and up to the present time in 1939. We are now, of course, operating on the basis of 25 cents per hour minimum wage. While there are some slight variations in the average rate per hour paid at the different mills due to the different styles of cloth manufactured, the present average rate per hour for all mills is 30.9 cents.

Approximately 72.65 per cent of our employees are now paid a rate of from 25 cents to 30 cents per hour and approximately 76.30 per cent of our employees are now paid a rate of from 25 cents per hour to 32½ cents per (3103) hour.

During the calendar year 1938 the company's loss was $300,646.91. This loss was seriously impairing our working capital. We were, therefore, faced with the necessity of taking some steps to reduce our losses or to discontinue the operation of the mills, resulting in the unemployment of all or substantially all of our employees, approximately 3,000.

After a careful study and consideration of the matter it was concluded that our only hope of continuing operations was to reduce our labor costs. We, therefore, decided to change from the basis of a 40-hour week, which we had observed since the days of NRA, to the basis of a 44-hour week, the maximum permitted without payment for overtime by the Fair Labor Standards Act, paying the same wages for a 44-hour week we had been paying for 40-hour week with a minimum of 25 cents per hour.

The change was explained to the employees at each of the mills. It was made effective beginning December 12, 1938, and is still in effect since we are still losing money. We regretted the necessity of making the change but were convinced that it was our only hope of continuing operations pending improvement in market conditions. Insofar as I know, only 6 of the employees of the company quit as a result of this change. (3104)

For the 21 weeks period ended May 27, 1939, operating on the basis of a 25 cent per hour minimum wage and an average rate of 30.9 cents per hour, the company's loss amounted to $50,259.94.

If the company had been operating during this 21 weeks period on the basis of a minimum wage of 32½ cents per hour, as has been recommended by the majority of Industry Committee No. 1, and had increased to 32½ cents per hour the wages of those employees making less than that amount, it would have incurred an additional loss of $81,326.93, making its total loss $131,586.87 for the 21 week period. In making these calculations no effect has been given to any increase in the wages of any employee making 32½ cents per hour or more.

If the company had been operating on the basis of a minimum wage of 30 cents per hour instead of upon the basis of 25 cents per hour during the 21 weeks period ended May 27, 1939, it would have had a total loss of $93,006.57 for the period, which is $42,746.63 more than the loss incurred operating on the basis of a minimum wage of 25 cents per hour. In computing this additional loss no effect was given to any increase in the wages of any employee making 30 cents per hour or more.

As stated above, for the entire year of 1938 the company's loss was $300,646.91. If the company had been (3105) operating throughout the year 1938 on the basis of a minimum wage of 32½ cents per hour and had increased to 32½ cents the wages of those employees making less than that amount, without giving any increase to any employee making 32½ cents per hour or more, it would have incurred an additional loss of $111,389.54, which would have made a total loss during the year 1938 of $412,036.45.

If the company had been operating throughout the year 1938 on the basis of a minimum wage of 30 cents per hour and had increased to 30 cents per hour the wages of those employees making less than that amount, without giving any

increase to any employee making 30 cents per hour or more, it would have incurred an additional loss of $45,870.07, which would have made a total loss during the year 1938 of $346,516.98.

The 30 cents per hour minimum wage which becomes effective under the Fair Labor Standards Act in October of this year will increase our labor costs 6.69 per cent if only those employees now making less than 30 cents per hour are increased to that rate. The 32½ cents per hour recommended by the majority of Industry Committee No. 1 will increase our labor costs 12.73 per cent if only those employees now making less than 32½ cents per hour are increased to that rate.

It is apparent from these figures that in the (3106) absence of an improvement in market conditions even the 30 cents per hour minimum provided for by the statute will come dangerously near drying up the sources of employment which our mills afford in the 10 communities in which we operate. The 32½ cents per hour will increase our labor costs substantially more than the minimum of 30 cents per hour and I can see no reasonable basis for any expectation of a sufficient improvement in market conditions to make it possible for us to continue to operate if the recommended 32½ cents per hour minimum is ordered into effect by the Administrator.

The products manufactured by this company are in competition with similar products brought into the United States from abroad that can be and are produced in foreign countries a great deal cheaper than such products can be manufactured by our company.

In addition, the manufactured products of our company are in competition with rayon, jute, paper, and other similar products and any increase in the sale price of our manufactured products would cause us to lose some of our present market.

Approximately 98 per cent of this company's manufactured products are now sold in that part of the United States north of the Potomac and Ohio Rivers and east of the Mississippi River. During the year 1938 and the first (3107) 5 months of 1939 approximately 96 per cent of our manufactured products were shipped by rail and the transportation costs to our markets are substantially higher than are the transportation costs of cotton mills located in New England and the northeastern part of the United States.

Most of our products are unfinished cotton goods and have to be transported by rail to finishing plants in North Carolina, South Carolina, Tennessee, Missouri and New England for finishing. This increases the transportation costs in our goods above those of competitive cotton mills located in the northeastern part of the United States.

While the machinery in our mills is not as modern as some, it is in efficient operating condition and is as modern as more than 50 per cent of the cotton mills in the United States.

It would be possible, however, to decrease labor costs in our mills to some extent by installing additional labor saving machinery. For the purpose of determining definitely what savings in labor costs could be effected, I have had a study made recently to ascertain to what extent each of our 10 mills could be modernized from a labor saving machinery standpoint.

My assistant, Mr. William Beswick, made this study (3108) and he will testify in some detail as to the result. Generally speaking, the study reveals that by installing additional labor saving machinery we can reduce the number of employees by approximately 140. This will require, however, an expenditure in the amount of approximately $541,500.

It is very doubtful whether the company, in its present financial condition resulting from the operation of its mills at a loss since the beginning of 1938, can finance the purchase and installation of this machinery at the present time.

Mr. Administrator, this is a very interesting thing:

The company is controlled by its common stockholders, of which there are approximately 2,825 in number. The company's stock is fairly widely distributed. Of its approximately 2,825 stockholders, more than 2,000 own less than 50 shares each. A large number of these stockholders live in the communities in which the mills are located.

In addition to its common stock, the company has income debenture bonds outstanding aggregating in amount $870,250.00. No dividends on the common stock or interest on the debenture bonds have been paid since 1937. In fact, no dividends or interest have been paid by this company, or its predecessor which constructed the mills (3109) in 1928 and 1929, except during the year 1937.

Even if it be assumed that the company could in some way arrange to finance the purchase and installation of the new labor saving machinery, thus displacing 140 employees, if the minimum wage of 32½ cents per hour, as recommended by Industry Committee No. 1, is ordered into effect, the company still could not operate all of its mills at a profit and would be forced to cease operation of some of them.

It is, therefore, clear that insofar as this company's operations are concerned, if the committee's recommended minimum wage of 32½ cents per hour is approved and carried into effect under present conditions, the inevitable result will be substantial curtailment of employment in the communities in which our mills are located.

The facts heretofore stated show that opportunities for other employment in the communities in which the company's mills are located are extremely limited. It is apparent that in most of the ten communities our mills constitute the only substantial source of industrial employment therein.

One of the principal purposes of locating these mills in such communities was to furnish a source of employment in them. The payrolls of our mills are, therefore, a vital factor in the economic life of these (3110) communities and our employees are an important part of the community life. They attend the community churches and their children attend the community schools.

Even on the present basis of a minimum of 25 cents per hour, our employees are, in my opinion, as well supplied with the necessities and comforts of life as at least 75% of the cotton textile employees in this country regardless of where they live and work.

Mr. Administrator, if you put into effect a minimum wage so high that we cannot pay it and continue to operate, what is to become of these empoyees and what is to be offered to them in place of their present employment? Must they go on relief or return to the farms whence most of them came and where, under existing conditions, their present standards of living will of necessity be lowered.

And what will be said to the 10 communities in which these mills are located? Must they be told that because they are small towns located in the State of Alabama they cannot have a small cotton textile mill to process their principal agricultural products since that small mill cannot operate at as low a manufacturing cost as larger mills with more labor saving machinery? Is this monopoly of the larger more favorably located mills to be created, with its tragic consequences to these (3111) communities and their peoples, in the appealing name of "social justice"? . . .

There are 475 families residing in the company houses at the ten mills. Of this number, 180 families have automobiles, 382 have radios, and 197 have electric refrigerators, 189 have electric fans, and 365 have electric irons. . . . (3112)

First the mills in the Northern section of the country are larger on the average than the mills in the South and can therefore manufacture more economically.

Second, the operatives employed in our mills, while probably having as great inherent capacity or ability as Northern operatives, because of lack of experience, they are of necessity not as skilled and efficient in their work as operatives generally employed by Northern mills who have been doing cotton mill work all their lives.

Third, the freight rate discrimination.

Fourth, proximity to markets, and the finishing plants for finished goods. If a mill located in New England sells to a converter, this converter is able to have the goods finished and on the way to his customer before his bill becomes due, whereas the mill located in the South, the converter's bill to the mill becomes due before the goods reach the finishing

plant, thus tying up operating capital of the converter for a longer period of time if he purchases goods from the South than (3113) if they were purchased from New England.

. . . .

We have competition from rayon and paper domestically, and from jute coming from foreign countries, particularly India, goods coming from Japan and other countries. While the importation of goods from Japn will not relatively be very great compared with the production of like goods in this country, they are a threat over the market, and generally fix to some extent the price at which we can sell like goods.

Before Christmas I was in New York and ran across some American made towels for $1.00 per pair. I thought they were very good, and bought some. A few days later, walking down the street in Birmingham, I saw some towels which looked to be equally as good in quality marked 23 cents each, or 46 cents per pair, less than half the price I paid for those in New York, and which were made in this country.

I went into the store in Birmingham to determine how they could be sold at such price, and to my surprise found these towels had been made in Russia and were being sold here in our stores at 46 cents per pair, and they were about the same quality towels as those made in this (3115) country.

. . . .

TESTIMONY OF WILLIAM BESWICK (T. 3143)

The witness, a resident of Birmingham, Alabama, stated that he was an assistant to the president of Ala-

TESTIMONY OF PAUL A. REDMOND (T. 3115)

The witness, a resident of Birmingham, Alabama, stated that he was president of Alabama Mills, Incorporated. He testified on cross-examination as follows:

Cross-examination by MR. BORKEIN:

Q. Mr. Redmond, could you tell me the number of mills in Alabama Mills' chain?

A. Alabama Mills' chain?

Q. Yes.

A. Ten.

Q. What is the total number of spindles in those ten mills?

A. Approximately 118,000.

Q. None of your mills have more than 20,000 spindles; is that correct?

A. None of our mills have more than—I believe one has 15,000, the others are less than 12,000.

MR. MCWHORTER. May I interrupt at this point just a minute, Mr. Borkein, to say that Mr. Beswick, who will follow Mr. Redmond on the stand, will give a detailed description of each of the mills' spindles, cards and looms?

MR. BORKEIN. Thank you.

Q. What is the total capitalization of the corporation?

A. Well, there is outstanding at this time, I believe—wasn't it 375,000 shares of stock of $1.00 par value?

Q. Is that the nominal capitalization of your corporation? The full nominal capitalization?

A. Well, we have got 708,000—that is in my statement.

Q. Oh, is it in your statement?

Mr. McWHORTER. That is in his statement on page 13.

The WITNESS. There are 2,825 common stockholders. The shares of stock—that is the number of stockholders.

Mr. McWHORTER. It doesn't state the total capitalization.

Mr. BORKEIN. It doesn't state the total capitalization.

The WITNESS. No; it doesn't state it. There are $870,250 par value income debentures, and I don't remember the number of shares of common stock. I can get it for you in a few minutes if you want it.

Q. I am not interested in the number, I am interested in the nominal capitalization of the corporation.

A. Why, I don't know how you would arrive at that, hardly.

Q. Well, could you just——

A. You would have to fix a price on that common stock, wouldn't you, to get that?

Q. Well, yes, and you would include your capital and earned surplus to get some indication of that?

A. I haven't a balance sheet before me, and I don't remember those figures.

Q. Does this sound about correct, that at the end of 1937 your common stock was valued at about $288,000, and your capital and earned surplus $3,780,000?

A. I don't remember those figures. It seems like that is about right.

Q. Mr. Redmond, do these figures seem correct, that your profit during the year 1936 was about $366,000 and the year 1937 about $267,000?

A. I don't remember the figures.

Q. Those are published figures, I think.

A. They are probably the figures; I don't know where you got them.

Q. The years 1936 and 1937 were profitable years, were they not?

A. Our fiscal year ending June 30, 1937, was a profitable year. Our fiscal year ends June 30, and we had a profitable year that year.

Q. One of the products you manufacture is corduroys?

A. Yes.

Q. Are those products manufactured in the North?

A. I believe so. If not, a great many of my products are manufactured in the North.

Q. Your average hourly earnings were 30.9 cents?

A. That is right.

Q. The average hourly earnings in the North generally are about 44 cents?

A. That is right.

Q. One of the principal producers of corduroy is located in Lowell, and in Utica, New York, the New York Mills, are they not?

A. New York Mills are located in Utica, New York, I know; I don't know about the other.

Q. Do you think with your knowledge of the situation that they enjoy any particular advantage over you in view of the fact that the disparity is at least 14 cents per hour?

A. I couldn't say about those particular mills. I do know, however, that I do lose a great deal of trade to manufacturers in New England, one of my biggest com-

petitors has a mill in New Hampshire, and I lose a lot of orders to him.

Q. With respect to sheeting, do you find that the other Georgia mills who pay lower wages than your own offer you pretty steep competition?

A. No; my hardest competition is from the highly mechanized and larger mills.

Q. I am asking you about these Georgia mills?

A. No; I don't think I have any competition from the small Georgia mills.

Q. Are their costs lower than your own?

A. I couldn't say about that.

Q. Mr. Redmond, is this label known to you (handing label to witness)?

A. Yes, sir; that is the label of the Alabama Mills, that is our sticker. We put that on.

Mr. BORKEIN. I offer this in evidence.

(T. W. U. A. Exhibit No. 8, Witness Redmond, marked for identification.)

Administrator ANDREWS. Is there any objection to offering it in evidence?

Mr. MCWHORTER. Yes, sir; Mr. Administrator. We desire to note an objection to the admission of that exhibit, proposed exhibit, or whatever it is, in this record for the reason that we do not see that it is material. We think it is immaterial to any matter before the Administrator, and for the further reason it is incompetent as applied to this company.

The name of the company appearing on that paper that Mr. Borkein has in his possession is not the name of the company concerning which Mr. Redmond has testified.

Mr. BORKEIN. Mr. Redmond has just testified they placed this on—this is their label and sticker. I can't see how you can say that about it.

Mr. McWHORTER. Well, it is the "Alabama Mills Company," Mr. Redmond. Mr. Redmond was in error in that. I ask him to examine the proposed exhibit again.

Mr. BORKEIN. The only reason you object to that is that there is no "Inc." on it, is that it?

Mr. McWHORTER. No; I have stated my objection. It is a different corporation altogether.

Q. Does your corporation have plants in Winfield, Russellville, Haleyville, Jasper, Clanton, Wetumpka, Greenville, Dadeville, and Aliceville, Alabama?

A. I believe those are the plants I stated; yes, sir.

Q. Is your selling agent Bliss, Fabyan & Company, Incorporated?

A. No, sir.

Q. Could you tell me when this was the sticker of your corporation?

A. That was the sticker of the Alabama Mills Company before the organization of the Alabama Mills, Incorporated.

Q. When was that?

A. From 1920—we established that for the Alabama Mills Company in 1929 and ran through until about 1932—about 1932.

Q. Is this then the sticker of the corporation that was in existence from 1929 to 1932?

A. That is correct.

Mr. BORKEIN. May I offer it then as an exhibit for the company then in existence?

Mr. McWHORTER. Now, Mr. Administrator, we think that is absolutely immaterial to this issue, and we object to it for that reason.

Administrator ANDREWS. I don't know what the purpose of it is, Mr. Borkein?

Mr. BORKEIN. The purpose is self-evident in the material right on the list, the sticker.

Mr. McWHORTER. Also the evidence shows it is about a different company, with a different selling agent entirely, and we object to it on that further ground.

Mr. BORKEIN. I have indicated, or Mr. Redmond has indicated that this mill, the present company, is simply a reorganization of the mill existing from 1929 to 1932. It simply got a new name. It has those ten mills, and the employees have been employed in those ten mills all the time, and the properties are there, and consequently the information on this sticker would still be applicable and pertinent.

Mr. McWHORTER. Mr. Administrator, in the interest of brevity, we are perfectly willing to withdraw our objection to this exhibit if the Administrator desires that it go into the record, with the explanation that Mr. Redmond has made of it.

Administrator ANDREWS. The Administrator has no desire for any particular evidence to go into the record.

Mr. McWHORTER. Then we withdraw our objection.

Mr. BORKEIN. Thank you.

(T. W. U. A. Exhibit No. 8, witness Redmond, received in evidence.)

By Mr. BORKEIN:

Q. Have you made any changes in the way of technical improvement in your ten plants from 1933 to date?

A. We have done some, yes.

Q. Have those improvements tended to increase efficiency?

A. Yes; it is intended to increase efficiency and reduce costs.

Q. Have the majority of the employees in your plant remained in your employ from 1933 to date?

A. Yes; the majority have; yes.

Q. Do you think that the employees who have been employed during these five or six years have gained

additional expertness and efficiency in the operation of the machines on the jobs to which they are assigned?

A. Unquestionably.

Mr. BORKEIN. I therefore offer in evidence this sticker and leave it for what it says, without any further comments or questions.

Q. You indicated that there was rayon competition for some of your products?

A. We make some rayons.

Q. Do you know what the average hourly earnings are in rayon weaving plants?

A. No; I don't know.

Q. The Bureau of Labor Statistics reports that they are at least 42½ cents per hour. That average is higher than the average maintained in your plant, is it not?

A. If that is true, it is higher, yes.

By Mr. SCHLEZINGER:

Q. You state the average wage paid in your plant is 30.9 cents an hour?

A. 30.9.

Q. 30.9?

A. That is correct.

Q. And that to increase it, if the 32½-cent minimum wage goes into effect, you will have an increase in labor costs of 12.3 percent?

A. I think that is the amount.

Q. That would bring your average wage up in your plant to approximately, or a little less than 35 cents an hour, would it not?

A. I don't know, I haven't made those figures.

Q. Well, assuming that it will bring it up to slightly less than 35 cents an hour, in answer to a question on direct examination you gave the reason why your mill is unable to compete with the Northern mills—if those

Northern mills operate on a 32½-cent minimum wage basis, the record at the present time shows the average wage in the South is approximately 36½ cents an hour. If your average wage goes up to approximately 35 cents an hour, don't you believe that you will be able to compete with these Southern mills?

A. With what?

Q. Strike the previous question. At the present time, the Southern average is approximately 36½ cents an hour. These Southern mills at the present time are successfully competing with Northern mills, are they not? In other words, at the present time the Southern textile industry is successfully competing with the New England industry?

A. In some cases I am losing business to the New England mills.

Q. Do you believe you can successfully compete with Southern mills at the present time?

A. With Southern mills?

Q. Yes.

A. Not the largest mechanized ones, most highly mechanized ones, no.

Q. Not with the highly mechanized ones?

A. No, and with the large ones where the cost of manufacture is less per pound, no.

Q. Can you tell me why the Southern mills which are paying an average of 36½ cents an hour can successfully compete with the New England mills?

A. I don't know that they are. I don't know that they are, but they come nearer to it; they have the finishing plants which Mr. Borkein asked me about, the Corduroy Manufacturing Company of Utica—he just rolls his corduroys into his own finishing plant and doesn't have any freight to pay. He does his own finishing. I have to have mine sent up East to be finished.

Q. Mr. Redmond, what percentage is your labor cost to your total manufacturing costs?

A. Right around 32 percent.

Q. About 32 percent of your total cost?

A. Yes.

Q. For your mills, Mr. Redmond, do you purchase your supplies individually for each mill, or when you purchase your raw cotton and other supplies, do you purchase them in quantity for the ten mills as a whole?

A. We purchase them individually for each mill.

Q. For each mill?

A. Yes; and that is one of the things I have to buy. say, ten cars of starch. A car of starch costs about $1,500. I have to buy it and tie up $15,000 in starch, A big mill would have to tie up only about $3,000 in starch.

Q. Don't you make any purchases at all for your mill as a whole?

A. Yes; bobbins perhaps.

Q. Your selling is all done through one agent, is it?

A. All through the one agent.

Q. He sells for all of your mills?

A. That is correct.

Q. The Alabama Mills, Incorporated, the present corporation, is a successor corporation of the Alabama Mills Company?

A. That is correct.

Q. Is it operating the same mills as the Alabama Mills Company was operating?

A. That is correct.

Mr. SCHLEZINGER. That is all.

(Witness excused.)

TESTIMONY OF WILLIAM BESWICK—(3128)

Mr. Beswick, after stating that he was a resident of Birmingham, Ala., and that he was assistant to the President of Alabama Mills, Inc., testified as follows: . . .

. . . I have been working in or connected with the cotton textile business for the past fifty years. I was born in England and went to work in a cotton mill in Lancashire,

England, when I was ten years of age. Thereafter I attended textile technical schools in Oldham, England, and when I was twenty-seven years of age I became "Inside Manager", or what is known in this country as Superintendent, for the Monarch Mills at Royton, England, a mill of over 80,000 spindles.

I held that position until 1911 when I was employed by (3129) Palmer Mills Company, Limited, of Stockport, England, as General Manager. The Palmer Mills had 183,000 spindles.

I was General Manager of Palmer Mills until 1920 when I was employed as Manager of the Verdun Branch of Dominion Textile Company, Verdun, Canada. I held that position until 1924 when I was employed by the Hunter Manufacturing and Commission Company, New York, a company which sold cotton goods for I believe over one hundred mills in the southern states. My chief duty with the Hunter Company was to inspect the cotton mills for which the Hunter Company sold cotton goods and to rectify faulty operating conditions in these mills. I held this position with the Hunter Manufacturing and Commission Company until 1927 when I was employed as General Manager for Shelbyville Mills and Columbia Mills in Tennessee where I worked until 1928. In that year I was employed by Alabama Mills Company.

At that time Alabama Mills Company was building its ten cotton mills in the State of Alabama and my chief duties for a considerable time were to make layouts for the installation and operation of the machinery with regard to speeds, hanks and drafts suitable for the class of goods to be made. I have been employed by Alabama Mills Company and its

successor since 1928 and for the (3130) past five years I have been Assistant to the President of Alabama Mills, Incorporated.

By reason of this experience I am generally familiar with the cotton textile business in England, Canada and the United States, including the operating conditions in cotton mills throughout the southern states.

Alabama Mills, Incorporated, operates ten cotton mills in ten different small Alabama towns, namely, Aliceville, Clanton, Dadeville, Fayette, Greenville, Haleyville, Jasper, Russellville, Wetumpka and Winfield.

The Aliceville Mill contains 49 cards, 15,224 spinning spindles and 298 looms.

The Clanton Mill contains 42 cards, 11,728 spinning spindles and 260 looms.

The Dadeville Mill contains 38 cards, 10,720 spinning spindles and 284 looms.

The Fayette Mill contains 48 cards, 10,400 spinning spindles and 318 looms.

The Greenville Mill contains 36 cards, 11,648 spinning spindles and 336 looms.

The Haleyville Mill contains 30 cards, 9,344 spinning spindles and 252 looms.

The Jasper Mill contains 48 cards, 12,896 spinning spindles and 350 looms.

The Russellville Mill contains 44 cards, 13,344 (3131) spinning spindles and 319 looms.

The Wetumpka Mill contains 56 cards, 11,968 spinning spindles and 300 looms.

The Winfield Mill contains 48 Cards, 11,376 spinning spindles and 317 looms.

I am thoroughly familiar with the machinery in each of these ten cotton mills. From a machinery standpoint in my opinion the ten mills of Alabama Mills Incorporated, are as modern as are 85 per cent of the cotton mills in the South.

It is also my opinion that the mills of Alabama Mills, Incorporated, are as efficiently managed as any cotton mills with which I have ever been connected either directly or indirectly. Alabama Mills, Incorporated, has at present and has had for many years a very good reputation and position in the market for its products.

I have recently made a study of each of the ten mills owned and operated by Alabama Mills, Incorporated, for the purpose of ascertaining what further labor saving machinery could be installed in such mills. In making such study I ascertained by actual quotation from machinery manufacturers the cost of all such new labor saving machinery. . . .

THEREUPON, the witness proceeded to give in detail the amount of money which would have to be spent at each mill to install the finest of labor-saving machinery, and the weekly payroll, which would be saved, and the number of workers which would be displaced, applying it to each of the ten mills of the Alabama Mills, and thereupon, resumed his testimony as follows: (3136)

The total expenditure for the installation of the (3137) labor saving machinery in all ten mills would be $541,508.00 and the total number of operatives displaced in all ten mills as a result of the installation of such machinery would be 140.

Assuming that Alabama Mills, Incorporated, could arrange in some way to finance the installation of the labor saving machinery with the resulting displacement of a total of 140 employees, in my opinion, the company under present market conditions, even with such labor saving machinery installed, could not pay a minimum wage to its employees of 32½ cents per hour and operate all its ten mills at a profit.

The increased cost to the company of putting into effect a 32½ cents per hour minimum wage would be greater than any saving that could be effected by the company through the installation of additional labor saving machinery.

Mr. Administrator, if I may be permitted to make some observations based on my fifty years experience in the cotton textile industry, I would like to say that I am very sure we all agree that raising the constructive standard of anything is in the general good, always provided that we can sustain that higher standard. But if that higher standard means our eventual ruin, there can be no doubt that a standard somewhat lower which (3138) could be sustained would be better in the long run.

A serious problem in the cotton textile industry in the United States has arisen out of the fact that we are rapidly losing our export business. For example, Alabama Mills Company had an export trade of approximately 8 per cent of its total manufactured products in 1932, while today the same mills have practically none.

This situation, in my opinion, has been brought about by the fact that the cost of manufacture in the United States has gotten out of line and the higher this country goes in the cost of manufacture over the rest of the so-called civilized

world, the more difficult becomes the struggle of the cotton textile industry in the United States, both North and South, to survive.

I have always liked and still like high wages. I have never myself refused an advance in wages and believe I never will refuse one. In fact, I shall do all I can at all times to secure as high a wage as possible. We are all alike in this respect whether we are so-called officials in this industry or whether we are operatives.

We are prone to fight for as high a wage as we can get, without giving proper consideration as to what damage we are doing to the industry itself. If we ruin this cotton manufacturing industry by our continual demand for more remuneration than the industry can pay, (3139) then we have lost all.

It is said that we shall have to be absorbed by someone, but by whom I do not know. This being absorbed by some other trade is easily talked about, but not so easily or quickly accomplished. It therefore seems to me that the chief consideration of those who have power to say yes or no to our demands should be a thorough study of the industry itself.

At this hearing I have heard this industry very appropriately referred to by both proponents and opponents of a 32½ cent per hour minimum wage as a sick industry, and I have also heard the remedy prescribed for this sick industry; namely, still higher wages.

Now, for a few minutes just let us analyze the operations of this industry and see what has actually taken place in the two countries in the world which have paid the highest wages to textile workers; namely, the United States and England.

The United States has always paid the highest wages and I believe England comes second to the United States in that respect, the wage scale in England being around 30 per cent lower than that in the United States.

In 1927 the monthly average active spindles in operation in the United States was 32,547,000 and the monthly average cotton consumption during that year was (3140) 617,000 bales. In 1938 the monthly average active spindles in operation in the United States was 22,040,000 and the monthly average cotton consumption during that year was 492,000 bales.

These figures are taken from reports of the United States Department of Commerce. They show that active spindles in this country have declined in this last 12 years period by 10,507,000, or more than 32 per cent, and that the average monthly cotton consumption during that period has declined by 125,000 bales, or more than 20 per cent.

These decreases in active spindles and in the consumption of cotton have taken place in the United States, notwithstanding an increase in the population of the United States from 118,628,000 in 1927 to 129,257,000 in 1937, according to estimates of the United States Bureau of Census.

For every 1,000 spindles that are put out of operation in this country, an average of approximatey 10 operatives for one shift or 20 operatives for two shifts will be displaced.

The 10,500,000 spindles that have ceased operation in the United States in the past twelve years have, therefore, resulted in the displacement of 105,000 operatives on a one-shift basis or 210,000 operatives on a (3141) two-shift basis.

In 1928 Great Britain had over 57,000,000 spindles. In 1937 these spindles had declined to less than 39,000,000, a decrease of approximately 18,000,000 spindles, or more than 31 per cent.

Now, during this same period; namely, since 1927, the United States Cotton mill operatives have been paid, I believe, the highest wages of any cotton mill operatives in the world and Great Britain has had the next highest paid employees in the industry, I believe.

In 1928 Japan had approximately 6,000,000 spindles and by 1937, the same period, Japan had increased its spindles from approximately 6,000,000 to over 11½ million spindles, an increase of over 5½ million spindles, or more than 91 per cent. It is common knowledge that Japan is a very low wage country. A number of other low wage countries also have made increases in the number of their spindles during the period from 1928 to 1937.

For instance, Russia has increased from a little over 7 million spindles to over 10 million spindles, or an increase of nearly 3,000,000 spindles, and China has increased from approximately 3½ million spindles to over 5 million spindles, an increase of 1½ million spindles.

The figures I have given for Great Britain, Japan, Russia and China are taken from "International Cotton (3142) Statistics", published by the International Federation of Master Cotton Spinners' and Manufacturers' Association of Manchester, England.

It is not very comforting for us who are dependent upon the cotton trade in general for making a living when we are faced with the fact that the United States, which has the high-

est paid cotton operatives in the word,—I beieve that is so—has lost over 32 per cent of its active spindles during the past twelve years, and Great Britain, which has the second highest paid cotton operatives in the world, I believe, has lost over 31 per cent of its spindles during the period from 1928 to 1937, and with the fact that the countries which pay very much lower wages to their cotton operatives have captured this trade and correspondingly increased their spindles.

Yet we are told that a further increase in wages here, and a greater difference between the wages in the United States and those in other countries is the best way to save our cotton manufacturing industry.

I personally am greatly disturbed at the picture presented because I very much enjoy the high wage. There is nothing that pleases me more than a wage increase, but does it not appear, if we are to continue to enjoy the highest wages in the world in the cotton manufacturing industry, that something else other than a compulsory (3143) increase in wages will be required even to maintain the industry in the United States at its present standard?

It is very pleasant to be able to boast that we have the highest paid cotton textile operatives in the world, but it is very discouraging indeed when we realize we have lost almost one-third of the active spindles in the United States during the last twelve years, and that there was a large increase in the number of spindles in those countries which pay very much lower wages in the cotton manufacturing industry.

This is a terrible price to pay for our boast. . . .

TESTIMONY OF WILLIAM BESWICK (T. 3143)

The witness, a resident of Birmingham, Alabama stated that he was an assistant to the president of Ala-

bama Mills, Incorporated. He testified on cross-examination as follows:

Cross-examination by Mr. BORKEN:

Q. You reported that you had some of your equipment on long draft spinning?

A. Yes, sir.

Q. When was that introduced?

A. Well, I would say, I don't just remember off-hand, but I would say during the last two years.

Q. Mr. Beswick, are some of your plants within reach of the T. V. A. power?

A. Yes; I guess they are.

Q. And enjoy the T. V. A. power rates?

A. I don't believe we have changed any over yet to T. V. A.

Q. Do you believe that your plants are economically and efficiently run as a unit, each plant in itself?

A. I stated in my report that I believed they were as well managed and operated, and I might add efficiently run, as any mills that I have been connected with directly or indirectly.

Q. From the point of efficient management, are they under any particular handicap?

A. Oh, I don't think so.

Q. Do most of your mills have spindleage of 15,000 or less, is that true?

A. I think we have one mill with a little over 15,000, but not 16,000, and the remainder below, which I read them all out to you.

Q. The fact you have so low a spindleage is not a handicap to the efficient operation of your mill, is it?

A. It does in comparison with the ones of twenty or thirty or forty or fifty thousand spindles, and those are the ones that we are competing against.

Q. Let the record read——

A. I will have to answer my way, you can't give both the question and answer.

Q. That is quite all right. Mr. Beswick, it was reported that the Alabama Mills are now working a 44-hour week?

A. That is right.

Q. Did any of the employees in any of the mills protest the extension of hours from 40 to 44?

A. During the period of time when these mills were changed over from 40 to 44 hours in the week following, I will say, I personally went around to every mill we had with the exception of Jasper and gave them around an hour's lecture on that subject, why it was being done. I invited them to put any question they wanted to, after I had given my talk. I might tell you that I had very, very little opposition indeed.

In the case of Jasper, I invited the Union Committee into the Birmingham office to talk to them first. And I might also say I had no opposition with the exception of a written protest, you know, but just personally to me there was no objection.

Q. Mr. Beswick, your plants were built in 1928?

A. Yes, sir.

Q. Who financed the building of those plants?

A. Well, now, you are dealing with a subject now which I am not very familiar with. My duties were with the machinery more than finances. I can't talk on the money evidence or feature of it at all.

By Mr. NATHAN:

Q. Just one question. Your conclusion is that a small mill operates at a disadvantage in comparison with a large mill?

A. Why, decidedly so.

Q. Why did you and your associates decide to build ten small mills instead of one large mill?

A. I had no word in the matter, but I know today if there had been five instead of ten, five at twenty thousand each instead of ten at ten thousand, it would have been better. And in fact everybody in the company wishes they were that way.

Mr. McWHORTER. I have no further questions. That is all. I have nothing further.

(Witness excused.)

TESTIMONY OF L. T. BARRINGER (T. 3181)

The witness stated he was President of the L. T. Barringer Co., Memphis, Tenn. He testified on cross-examination as follows:

Cross-examination by Mr. ABT:

Q. Mr. Barringer, as I heard your testimony this morning, I gathered that your point of principal emphasis—indeed, your point almost of exclusive emphasis—was the fact that cotton is meeting competition from paper and substitute fibers and that that competition from substitutes has narrowed the cotton market, with the result that it would be dangerous, to say the least, for the Administrator to approve a 32½¢ minimum wage here.

Is that a fair summary of the principal point which you wanted to drive home in your testimony this morning?

A. I am going to let my testimony stand on what I put in, as to the points I drive in. You can brief that any way you want to.

Q. Would you say that the statement which I have just made is fairly representative of the point of view which you expressed this morning?

A. My statement is probably more comprehensive than that, and I am going to let the statement stand on its own bottom.

Q. All right, sir.

A. I could not—in other words, I couldn't go and sum up in three words all the stuff that I have put down here as to the points we are driving home. That is exactly the reason we have got the stuff in here we have, because they have come up here and looks like they have reached a conclusion without going out and checking up to see what the industry is confronted with. You have got many elements and many factors that enter into this picture that you people simply ignore. That is why we are here today. If it wasn't, we would have ignored them.

Q. All right, sir; let me ask you something else, then: when you were a youngster, like most of us did you spend some time in your mother's kitchen?

A. Yes, sir.

Q. What kind of pots and pans and kettles was your mother using in those days, Mr. Barringer—what were they made out of in those days?

A. Made of aluminum, iron.

Q. Most of them were iron, weren't they?

A. No.

Q. Maybe your memory doesn't go back quite as far as mine.

A. That is probably so. And tin.

Q. My mother's kitchen, they were mostly iron. There was a day when most of them were iron, wasn't there?

A. There was a day when most of them were copper.

Q. Yes; and after that there was a day when most of them were iron; isn't that correct?

A. There probably was.

Q. Are you married, Mr. Barringer?

A. Yes, sir.

Q. Ever have occasion to help your wife do the dishes?

A. Yes, sir.

Q. What kind of pots and pans and kettles is your wife using today?

A. They are using aluminum wear and other—but quite a bit of it is from a composition metal that is evidently akin to the metal field; it is not aluminum, because if it was we would have more—it is not aluminum and is not akin to the aluminum family. There is only one aluminum family that I know of, and that gets down to personal families, Wearever metals.

Q. But she does use a good deal more aluminum than your mother did, at least perhaps in the days before you knew your mother?

A. No; I wouldn't say that. I wouldn't say that; that you use more than when I knew what was going on, because you take the cooking pans today are tin, a lot of them. You go to cook biscuits, you don't cook them—you cook them in tin pans just as often as you cook them in an aluminum pan; or bake them—if you go to the baking ovens, why they are mostly still iron.

Q. Let's go back to your mother's time again. Did your mother use to put up preserves for the winter?

A. Sure.

Q. Fruits and vegetables?

A. That is correct.

Q. What did she put them up in?

A. Glass jars.

Q. Glass jars. Are there many glass jars in your pantry today?

A. Yes, sir; there are glass jars in my pantry today—and I guess it may be one of the few, but there's glass jars in there.

Q. More tin cans than glass jars, though, aren't there?

A. Well, yes; I would say that there's more tin cans than glass jars, but I will say this: there is a preponderance of come-back in glass jars. If you don't believe

that, go into your pantry and see how many empty glass containers are sitting around. I have been looking those over.

Q. Let me ask you this: the steel industry, do you think it lost anything when your mother or your grandmother stopped using iron skillets and started using aluminum ones, but when your wife or my wife (my wife doesn't put up so many preserves) stopped using glass jars and started buying tin cans—in other words, has the consumption of steel in this country declined by reason of the fact that iron cooking utensils have gone out and tin cans have come in?

A. I don't see that the steel industry has got a thing in the world to do with this. I didn't put that in in direct.

Q. Look: after I am finished here, Mr. Barringer, if Mr. Taylor wants to put me on the witness stand and ask me some questions, I will be glad to be his witness; but right now you are being cross-examined as my witness, as I think we will do better if you answer my questions.

A. Well, that is not pertinent information, though, that I know of.

Q. That is for the Administrator to answer finally.

A. If you want me to, if you will give me three weeks I will go out and check up and get the figures and give you a history on steel.

Q. Well, let's put it this way, if you don't like to answer that question; isn't it a fact that there is a shift in uses of every metal and every fiber that we know of, some years are used for one thing and in later years they may be used for something else, just as in the case of Mason jars—Mason jars passed out to some extent, at least, and tin cans have come in; the bottle industry hasn't suffered, has it?

A. What I want to know is are you going to ask me that you want to put a bunch of cotton mills out and there is a shift due in that industry——

Q. All I want you to do is answer my question, Mr. Barringer.

A. Let the attorney up there rule and see whether it is pertinent.

Mr. ABT. May I have a ruling, Mr. Administrator, as to the pertinency?

Administrator ANDREWS. I haven't objected to the line of questioning yet, Mr. Barringer.

Mr. ABT. Pardon?

Administrator ANDREWS. I say I haven't objected to your line of questioning.

The WITNESS. I raise objection.

Mr. ABT. Mr. Andrews, who is sitting in a presiding capacity here, says that it is relevant, so I think perhaps we will get along better if you will answer.

Administrator ANDREWS. I think your attorney, sir, is the proper person to make the objection.

Mr. TAYLOR. Mr. Administrator, in view of the fact that there was no wage and hour law applicable to the steel industry, copper industry, and the aluminum industry, and all of these other industries, at the time of this transition that Mr. Abt has in mind, and consequently the question does seem to be irrelevant, I will object.

Administrator ANDREWS. Go ahead.

Mr. ABT. Is there a ruling on the objection?

Administrator ANDREWS. No; I don't think a ruling is necessary.

Q. Well, let's look at your Exhibit 3, if you don't want to answer my questions. We will ask you about some of your exhibits, Mr. Barringer. That exhibit shows the total U. S. consumption of cotton, wool, rayon, silk, and linen fibers, and the consumption of each one of those individual fibers, does it not?

A. That is right.

Q. And the point that you made——

A. That includes the raw fiber, too; that spun rayon.

Q. That is right. And one of the points you made with reference to that exhibit was that the use of rayon fibers or the consumption of rayon fibers has increased very rapidly between 1920 and 1938; is that correct?

A. Yes, sir. Rayon fiber itself begun its increase I believe in '29. I believe that is about when it come into being. The other was the filament-type rayon.

Q. Now can you look at that exhibit and tell me what portion of the consumption of cotton during that period was displaced by rayon consumption during that period? Let's talk about Exhibit 3, first. Exhibit 3 is a chart. You don't seem to have it in front of you.

A. Oh, yes; I have got it, but Exhibit 2 is the percentage of that chart broken down.

Q. Let's first look at the chart.

A. That is Exhibit 2.

Q. No, 3. You and I are going to look at the chart first.

A. 3?

Q. Yes.

A. There is no chart or no figures anywhere that I know of in existence that can come along and say that this pound of rayon put that particular pound of cotton out of business, but we have got to look at it from a consumer-dollar standpoint. We are going after the consumer dollar, all of these competitive fibers.

Q. All right, let's look first at the top line, Mr. Barringer, of that chart, "Total U. S. Annual Fiber Consumption." That is all fibers, is it not?

A. That is right.

Q. That line shows the annual consumption of all fibers, all five of the fibers that are charted on that chart; is that correct?

A. That is right.

Q. And that line goes from a low of—or starts with a low of a little over three thousand million pounds per annum in 1920; is that correct?

A. Three billion, isn't it?

Q. Three thousand million, in my arithmetic it comes to the same thing.

A. Yes. If we talk billions I believe we can keep them straighter.

Q. Is that correct?

A. It starts off where, now?

Q. It starts off in 1920 with a little more than 3 billion pounds annually. Just look at the chart.

A. That is right. Sure.

Q. And it goes up and down in a zig-zag line from 1920 to 1938, doesn't it?

A. That is right.

Q. And it reaches a low in 1932 of a little under 3 billion pounds annually, does it not? Just look at the chart; that is all we are talking about.

A. Well, the figures here on the preceding page, I tied both of them in together, and I am going to use the figures. I want to tell you the truth.

Q. The chart speaks the truth, doesn't it?

A. Yes; the chart speaks the truth. I am going to give you the exact poundage.

Q. I don't care about the exact poundage.

A. Yes; it is a fraction under 3 billion, the total consumption.

Q. And it reaches a high in 1937 of a fraction under 4½ billion, does it not?

A. That is correct.

Q. Now look at the line immediately under that line; the line which shows cotton consumption. You see that line?

A. Yes.

Q. That line very closely parallels the first line, does it not?

A. I will say it parallels it. I am not saying how closely. It is there to speak for itself.

Q. If it were true, Mr. Barringer, that any one of these other fibers were making any serious inroads on cotton consumption between 1920 and 1938, would it not be a fact that the space between the top line (showing total fiber consumption) and the second line (showing cotton consumption) would be getting wider? I am not asking what the line did——

A. Gets wider in 1938 than it is in the year 1920.

Mr. ABT. Mr. Reporter, will you read the question to the witness, please?

The WITNESS. That is what you asked me; was how wide it was at the tail end of '38.

Q. Mr. Barringer, if you will just listen to the questions and then try to answer them, I think we will do better.

Mr. ABT. Will you read that previous question, Mr. Reporter?

The REPORTER. "If it were true, Mr. Barringer, that any one of thes other fibers were making any serious inroads on cotton consumption between 1920 and 1938, would it not be a fact that the space between the top line (showing total fiber consumption) and the second line (showing cotton consumption) would be getting wider?"

Q. You don't have to look at your figures to answer that question.

A. Why sure, the 1938 is wider than 1920, just like——

Q. That is not the question I asked you.

A. That is the question I understood.

Mr. ABT. Will you read the question again?

The REPORTER. "If it were true, Mr. Barringer, that any one of these other fibers were making any serious inroads on cotton consumption between 1920 and 1938, would it not be a fact that the space between the top line (showing total fiber consumption) and the second line (showing cotton consumption) would be getting wider?"

A. I say they are getting wider. Now you can answer it any way you want, but I am not going to say—I am not going to answer a hypothetical question there, and that is all yours is, when here is the chart speaking for itself. Yours is a hypothetical question.

Q. That is quite correct. It is a hypothetical question.

A. But here is the chart to speak for itself. You have brought up the chart.

Q. I am asking you a hypothetical question because you have been giving all morning some very hypothetical testimony, Mr. Barringer. Will you undertake to answer the question that I asked you, or do you refuse to answer it?

The WITNESS. Read the question again.

The REPORTER. "If it were true, Mr. Barringer, that any one of these other fibers were making any serious inroads on cotton consumption between 1920 and 1938, would it not be a fact that the space between the top line (showing total fiber consumption) and the second line (showing cotton consumption) would be getting wider?"

Q. That must be a puzzler for you, Mr. Barringer.

A. No; but I don't see any sense to it. The chart is there to speak for itself, and it is wider.

Q. It is wider when and where?

A. If you want me to answer you in a hypothetical question, I will say that if—I will answer it this way. Now listen to me.

Q. That's what I've been doing.

A. If the line in 1938, cotton and rayon, are closer—cotton and the total of other fibers are closer together than they were in 1920, then I would say that that particular period if they were closer together, that cotton would be holding its own, based on the wages paid of that particular date.

Q. What has this chart got to do with wages, Mr. Barringer?

A. Well——

Q. We are talking about cotton consumption.

A. We are talking about cotton, but we are talking also about the effect of a 32½¢ wage on cotton versus other competitive fibers.

Q. Well, let's——

A. Now I have answered your question now, I will come right around and put it to you, and I say if they are closer why then it has not encroached—the other fibers are not making inroads to it. But I say that they are closer.

Q. Let's look then at the chart for the year 1938. The top line, total consumption, stood at exactly 3½ million on that chart—3½ billion.

A. What year?

Q. 1938.

A. 1938—which one, now?

Q. Total consumption of all fibers.

A. They were just a fraction above that.

Q. Just a fraction above.

A. 3½ billion.

Q. All right. And cotton consumption was what—just a fraction below 3 billion, was it not? Maybe you don't trust your chart.

A. Yes, just below half a billion.

Q. Just below 3 billion.

A. Yes; that is right.

Q. Just below 3 billion; is that correct?

A. Cotton in '38?

Q. Yes.

A. Cotton in '38 was 2,000,904,000.

Q. That is just below 3 billion, isn't it?

A. That is right.

Q. So it was about a half billion spread between those two lines in that year; is that correct?

A. 600,000.

Q. 600,000. O. K. Now let's look at the year 1924. What did cotton consumption stand at in that year?—just a little above 2½ billion, isn't that right?

A. Cotton, just a little bit above, that is correct.

Q. And total for all fiber was just a little above 3 billion, is that right?

Mr. Taylor. What year is that?

Mr. Abt. 1924.

A. Cotton was just a little bit above 2½ billion, that is right.

Q. That was the first question I asked you, and we agreed on that. Now we are talking about the top line, total fibers. That stood just a little above 3 billion, didn't it? Why don't you look at the chart, Mr. Barringer?

A. I am looking at the chart, but I have got a privilege to make my own comments. I am answering the questions—trying to. There is a spread in between them there of 432,000 pounds.

Q. So that in 1924, if we compare 1924 with 1938, it is true, is it not, that cotton substantially held its place in total fiber consumption, comparing those two years?

A. I went into that in a very detailed way, but——

Q. Just a moment——

A. Comparing that, there is not a great discrepancy between the two.

Q. All right, sir.

A. Now I want to answer my question there, put mine in.

Administrator ANDREWS. Pardon me, Mr. Witness. Just please answer the questions.

The WITNESS. I have got a right to qualify my question, though, when I say "Yes."

Mr. TAYLOR. He has a right to qualify his answer.

Mr. ABT. Mr. Taylor, I have given every witness of yours ample opportunity finally to qualify every answer he makes, but I think we will get along much faster here if the witness will just answer the questions.

The WITNESS. We have got a long statement, and I would rather explain myself as we go along. However, if you want to——

Mr. ABT. I will give you plenty of time.

Administrator ANDREWS. I was referring to your statement, Mr. Barringer, that you cared to make comments as you went along.

Q. Let's look at the year 1934, Mr. Barringer.

A. Just a moment. I want to make a record on that so I will go back and qualify it.

All right.

Q. Let's look at the year 1934.

A. All right.

Q. What was the spread between the two lines in that year?

A. 1934, about a half a million pounds.

Q. About the same as it was in 1924?

A. No, a hundred thousand pounds—a hundred—there was a hundred thousand pounds difference—wait—more than that.

Q. A hundred million pounds difference?

A. Yes, a hundred million pounds difference.

Q. And a hundred million pounds on three billion would be about one-third of one percent difference, is that right?

A. Well, the difference would be this: in 1924 the cotton consumed there versus all the total weight of the fibers showed was 85.8%, and in 1934 it was 83.8, or 2%.

Q. About 2% difference, between those ten years.

A. That is when you pick out particular years.

Q. Well, by and by you can pick out——

A. The reason I took——

Q. After awhile when Mr. Taylor reexamines you, you can pick out your years.

A. O. K.

Q. Now I want to show you an exhibit that has already been offered in evidence as Textile Workers Union of America Exhibit 1. This exhibit, Mr. Barringer, is also a chart, entitled "Cotton Consumption and Industrial Production in the United States, 1919 to 1938." Will you take a look at that chart?

You understand what the chart shows, Mr. Barringer. The heavy black line shows the index of cotton consumption for the years 1919 to 1938. The dotted line shows the index of all industrial production for that period. The index numbers are based on 1923 to 1925 as a hundred.

A. Now when you say "industrial production," do you mean there all fibers?

Q. No, all industrial production, total national—

A. Steel?

Q. Everything.

A. Auto and everything?

Q. That is right. That is everything.

Now will you look at that chart, Mr. Barringer, and tell me, if you will, whether you can say from that chart that cotton has, or has any tendency to lose its place in the American market as compared with the general level of production of all products?

A. The only way to do that—this chart was compiled in a fashion that they had the figures. The only way I could do on that chart would be to take a chart and figures——

Q. Can't you read charts? You have offered some in evidence.

A. Sure I can.

Q. Well, look at the chart and give me your answer from the chart.

Isn't it true, Mr. Barringer, that the two lines are almost identical? When one goes up, the other goes up; when one goes down, the other goes down, and you can't say there is either an increasing or decreasing space between them?

A. Yes, sir; they run within a reasonable degree of variation of following each other.

Q. Now, isn't it true, Mr. Barringer, that if, as you testified, cotton were losing its place as a commodity in the American market, that as we approached the later years there would be a wider and wider space between the lines charting the index of cotton consumption and the line charting the index——

A. (Interposing.) No.

Q. Just a minute. Let me finish the question. [Continuing.] And the line charting the index of all industrial production?

A. No; I will answer that "No."

Q. Answer that "No.." All right. Now let's look at your Exhibit 6-A.

A. All right, I want to mark that, because that is one I want to qualify. There are some exceptions to it.

Q. All right—tell me how you would like to qualify that?

A. On the per capita basis of consumption of cotton.

Q. Just what do you mean by that?

A. By that—we will turn to page 5, I believe it is, in the little book here.

Q. Mr. Barringer, if you are trying to find the place in Bulletin 663 which points out that the per capita cotton consumption in 1937 and 1938 was less than the per capita cotton consumption in earlier years, why, I agree with you entirely. That, of course, was the fact.

A. That is why I am comparing these two as far as this activity is concerned, because this doesn't show the relationship of the competition as to whether one is declining or one is not.

Q. Now let me ask you this, isn't it also true that the dotted line on this chart, showing all industrial production, also takes no account of per capita consumption?

A. That may be true, but you probably have new industries in here to help out this production right here where you are comparing cotton alone by itself.

Q. Yes, but if you had new industries in your dotted line which, as you say, "helped out" production——

A. (Interposing.) Of other manufactures——

Q. Just a minute—if you had other industries included in the index represented by the dotted line which, as you say, "helped out" production—that is, made general industrial production go higher than it otherwise would—and if, despite that fact, cotton consumption continued to parallel general industrial production, isn't that even a stronger indication that there has been no displacement of cotton from the American market?

A. I am talking about per capita, not keeping up a trend. You are absolutely trying to prove two different things with one chart.

Q. Every time a new human being comes into the world, that new human being is an additional consumer of cotton products, is he not?

A. That is right.

Q. But isn't he also an additional consumer of all other industrial products?

A. Yes, sir.

Q. Then these two lines are comparable, are they not?

A. They are comparable insofar as his preference goes as to whether he spends his money for an automobile or whether he spends it for clothes.

Q. That is right, and that is exactly what this chart shows. People in this country are spending as much for cotton proportionately to what they are spending for all the other products as they did in 1919, 1921, and all the way down to 1937, isn't that right? Isn't that what the chart shows, Mr. Barringer?

A. Well, they are not using as many pounds now as they were in 1910 or 1920, so therefore it is declining.

Q. What do you mean, "they are not using"?

A. The per capita consumption.

Q. Do you know, Mr. Barringer, what the level of all industrial production today would have to be to make per capita consumption the same as it was in 1929? I am not speaking of cotton, now, I am talking about all industrial production. If industrial production——

A. (Interposing.) No, sir; I do not. I haven't run a figure on that.

Q. Well, will you accept the testimony that was introduced before the Temporary National Economic Committee that the index of production would have to be 120 if industrial production were to keep pace with the growth in population since 1929? Will you accept that figure?

A. Well, I would have to accept it unless there was a figure put in that I thought was more reliable.

Q. I think you indicated this morning that the level of industrial production, according to the Federal Reserve figure for May, was about 92, was that correct?

A. I believe that is what it was.

Q. Now will you look at your chart 6–A.

A. You understand now how I qualified that in my answer? In other words, that was cleaned up?

Q. I understand what you thought you were trying to say. I don't know I agree with you.

A. All right, chart what now?

Q. 6–A.

A. All right.

Q. Now do I understand that you made use of the figures in this chart to indicate that there was a declining consumption of cotton in the automobile industry?

A. No, sir—that it was just in a way looked like constant—I mean the last few years are running with not much change in the automobile industry.

Q. Do I understand, then, that your testimony is that there is no displacement of cotton by substitute fibers in the automobile industry?

A. I beg your pardon?

Mr. Abt: Read the question.

(The question was read by the reporter.)

A. There is being some displacement now.

Q. I thought that you just stated that cotton consumption in the automobile industry is running fairly constant, did you not?

A. I put that in in my testimony, and said—I testified that it had just about reached a peak to where it looked like we cannot expect any further expansion in the automobile industry insofar as cotton is concerned.

Q. Suppose the automobile industry should double its capacity over 1939 for the year 1940, wouldn't you expect more cotton to be consumed by the automobile industry in that case?

A. Yes, sir; if we had anything like that, if we wanted to assume that. If any of us believed it, we sure would

be happy now, that they were going to double production. It is not—it is this little gradual eating in that we are getting at with all these figures.

Q. Do you show any gradual eating in on your automobile chart, Exhibit 6-A?

A. Well, considering the fact that 1937 was supposed to be a peak of all industries, so to speak, lately, I would say that has eaten in somewhere, else it is being stalemated, because 1936 and 1937 the figures only vary 440 bales. Now in 1929 the automobile industry consumed 698,064 bales.

Q. Do you know what automobile production was in 1929?

A. I don't have those figures.

Q. Was it higher or lower than in 1937?

A. I don't have those figures. I can produce them if you want them.

Q. You don't have to, because I have them here.

Mr. Barringer, I show you a table, Table No. 424, appearing on page 370 of a volume entitled "Statistical Abstract of the United States, 1938." The Table is entitled "Production and Registration of Motor Vehicles." Will you look at that table and tell me what the production of motor vehicles was in the United States in 1929? It was 5,622,000 cars, correct?

A. That is correct.

Q. In 1937?

A. In 1937 it was 5,016,000.

Q. That is right.

A. And those 5,016,000 now in 1937 used less cotton—used within 440 bales of cotton that 1936 did, when you only had 4,616,000 automobiles. So right there you have got——

Q. (Interposing). Wait, you are going too fast for me.

A. I may be going too fast, but that is the fact.

Q. Just a minute. Just a minute. Let's talk first about 1929.

A. All right.

Q. In 1929 there were 5,622,000 cars produced; correct?

A. Wait—where is that, now?

Q. In 1929.

A. That is right.

Q. And in 1937 production had dropped to 5,016,000, correct?

A. That is right.

Q. Now I did a little mathematics Mr. Barringer, and discovered that 1937 production was just 90% of 1929 production. Will you accept that mathematics?

A. I will accept your figures on that.

Q. O. K. Now let's look at cotton.

A. Wait a minute. I want to go back to that in just a minute there. All right.

Q. Are you ready to look at cotton now?

A. Cotton?

Q. Yes.

A. Yes, sir.

Q. On your Exhibit 6–A.

A. All right.

Q. In 1929 there were 698,064 bales used in the automobile industry, weren't there?

A. That is correct.

Q. And in 1937 that baleage had gone down to 632,680, is that correct?

A. That is right.

Q. Now I did some more mathematics that I am going to ask you to accept for the moment.

A. All right.

Q. And tell you that 632,680 is just 90% of 698,064.

A. Is how much, now?

Q. 90%.

A. All right—of 698,064?

Q. That is right. Now assuming my mathematics is correct, would it not be a fact that there was no displacement between 1929 and 1937 of cotton by any substitute fiber in the automobile industry, speaking of the industry as a whole? If automobile production went down 90% and at the same time cotton consumption in that industry went down by precisely the same percentage, you couldn't say there was any displacement of cotton by substitute fiber in the automobile industry, could you?

A. That is correct.

Q. O. K.

A. That is for those particular years, the period that we are talking about now.

Q. I was only talking about two years.

A. We are talking about—we are talking about the 1929 to 1937. That is the period.

Q. Now let's look at your Exhibit 10. Have you got Exhibit 10 now, Mr. Barringer? That is the one you and I are going to look at next.

A. O. K.

Q. Do you have it?

A. That is correct.

Q. Exhibit 10 is entitled "Proportion of Total Fertilizer Tonnage Packaged in Specified Sizes of Burlap, Cotton, and Paper Bags, 1927 to 1928 and 1937."

A. All right.

Q. Correct?

A. Yes, sir.

Q. Let's look first at 1927 to 1928. What was the percentage of all fertilizer bags represented by cotton bags in that year?

A. In 1927?

Q. 1927 to '28. I am speaking now of all sizes of bags, your total.

A. You are talking about that 2.4, is that what you want me to read?

Q. That is right.

A. That is right.

Q. And that figure represents, does it not, the percentage of fertilizer bags of all sizes for those years represented by cotton bags?

A. That is right.

Q. Correct?

A. That is right.

Q. Now let's look at 1937. What was the percentage of all bags represented by cotton bags in that year?

A. 11.8.

Q. So is it correct to assume from that table that proportionately five times as many cotton bags were consumed in 1937 to package fertilizer than in 1927 to '28?

A. You can put it that way if you want to.

Q. You don't want to put it that way?

A. Sure. I don't mind it. I put that exhibit in there to show that we ought to at least find one place in the entire cotton world that we had a little advance somewhere.

Q. Well, that is one place you found and put in, is that correct?

A. I thought maybe you would really call attention to that, and that was put in for your benefit.

Q. All right. That was very nice of you.

Now let's look at Exhibit 10–A. Exhibit 10–A is entitled "U. S. Production of Sheetings, 40" Wide and Narrower," correct?

A. That is right.

Q. As I understood your testimony, wide sheeting is used for bagging purposes, is that correct?

A. Narrow—that is 40" wide and narrower.

Q. 40" wide and narrower is used for bagging, is that correct?

A. A lot of it is.

Q. And you put that exhibit in to show that cotton bagging was being displaced by substitutes, is that correct?

A. I put that exhibit in to show that in this particular field that there has been a substantial decline, and since that so much of these goods go into bagging—are used for bags, that it purports to show that there was bound to be some loss somewhere in the cotton field, and that paper is getting—and that paper is getting the business.

Q. All right, sir. And you indicated, did you not, that the use of this sheeting fell from approximately 381 million pounds in 1921 to only 203 million pounds in 1935, is that correct?

A. That is right.

Q. And I think that you stated in connection with that point that "this is something to think about," did you not?

A. I think that is correct.

Q. Now will you look at the chart which I gave you before, Textile Workers Union of America Exhibit 1. Do you have that?

Q. In 1921, the year that 381,000,000 pounds of cotton sheeting were consumed, the index of cotton consumption stood a little under 60, did it not, on that chart?

A. What year did you say?

Q. I am sorry. In 1921 it stood just a little over 100, did it not?

A. Yes, sir. The only difference was about 42 percent.

Q. What do you mean by that?

A. In other words, I am just going by cotton consumption. If I take what it had been in 1920, it had been to about 58.

Q. In 1921 it stood a little over 100, did it not?

A. In 1921 it stood a little over a hundred, yes.

Q. Let us look at 1935, when the cotton sheeting had dropped away down to 203,000. It dropped about 40 percent, is that correct?

A. Wait a minute. In 1935?

Q. First look at your Exhibit 10–A.

A. I am looking at that right now.

Q. Between 1921 and 1935, the production of cotton sheeting had fallen by roughly 40 percent, had it not? Closer to 50, I guess.

A. Any way it dropped off very substantially. The difference between 203,480,910 pounds and 381,352,105 pounds.

Q. Now, look at the other chart, the cotton consumption in the year 1935?

A. Very well.

Q. How did cotton consumption in that year compare with consumption in the year 1921?

A. Cotton consumption in 1935——

Q. (Interposing.) It is higher than it was in 1921, was it not?

A. Yes; it is higher than it was in 1921.

Q. So that notwithstanding the fact that the production of sheeting fell off about 40 or 50 percent, the total cotton consumption in the same period rose, did it not?

A. Yes it did; and if it had not been for the automobile industry, we would not have come out on that, because when you get your automobile figures, we said that that is where we get our expansion in cotton. It went from, in the year 1921 where we had approximately a quarter of a million bales of cotton consumption in the automobile industry, it rose in 1937 to where we had 632,000. I am assuming that there has been——

Q. (Interposing.) That means that the cotton loss in bagging is more than made up for in automobiles, is that correct?

A. I would not say it is more than made up, because you would not say that automobiles made all of that

difference up in the consumption, because I have not checked the consumption figures between the two years.

Q. I just took your own illustration because you accounted for that increase by automobile production.

A. My statement said that that was where the main expansion that we had in the industry for cotton, I believe, came from.

Q. That is the same point, Mr. Barringer, that I was trying to make with you before on your mother's pots and pans.

A. You mean a man is not entitled to any expansion at all? One of the things that we are trying to prove here is also that there is displacement of labor. But if you hold your poundage and you only use half of your labor, you have not gotten anywhere either.

Q. Now, look at your Exhibit 18-A. That exhibit is entitled "Jute and Manufactures of Jute Imports for Consumption, 1928 to 1938," is that correct?

A. That is correct.

Q. Am I correct in my understanding that you introduced this exhibit to show the threat which jute represents as a substitute for cotton?

A. I said this in connection with jute, that is, it takes the market of 1,200,000 bales of cotton. I say that it takes that much market away from us. If we had no jute in this country at all, I am laboring under the assumption that cotton would get some of that business.

Q. Is it your position that jute is becoming increasingly a threat to cotton? That the threat of jute substitution is becoming increasingly great—was that your point?

A. My point is that jute is now a big factor as a fabric for the use of bags and burlap, and that those people are not regulated in any way by any kind and character of wages in the countries where this is produced and where most of it is woven, and that there is only 1 cent a pound is the maximum duty put on the jute—burlap

rather—and that if we increase our wages over here, that is going to bring about a greater competition between cotton and jute itself. I think that is just what my statement inferred this morning; that is what I tried to say.

Q. Then you are not making the statement that the problem of jute competition today is any more acute than it was in the late twenties?

A. I think that the figures here of 1928 through 1938 show and in some instances here—when it comes to bags, it is making a potential threat as far as the use of cotton bagging goes in and of itself—bale coverings for raw cotton. I would not say that the competition there is as keen as it is on the bags. On the bags, jute has been picking up and there are certainly a number of uses that jute bags are put to in this country.

Q. Let me ask you——

A. (Interposing) Just a minute. The jute bagging fluctuates in the matter of my testimony, according to our peak crop years in this country on cotton, but you have got to break that down to see what you have got to do with this bag proposition here. When you go into those bags, you see that you are on a pretty competitive basis. That is one of the main points in that. You have got to break this thing down to where your cotton bale covering comes in and your other bags, and probably some of it goes into twine——

Q. (Interposing) Looking at bags—that is the point that you picked as the most important, Mr. Barringer. The high point in bag imports was 1937, was it not?

A. Yes.

Q. 50 million-odd bags.

A. Pounds.

Q. Pounds, rather. Is that correct?

A. That is right.

Q. 1937 was also the year of the highest cotton consumption of any of those years, was it not?

A. 1937?

Q. Yes.

A. Yes, sir. 1937 from a spinning mill and a weaving mill standpoint it was.

Q. So that the increase in the consumption of jute bagging in 1937 did not result in any lessening of the cotton consumption in that year, did it?

A. Well, offhand it looks like—jute bagging picked up with a greater percentage than did the spinning mill activity, that is over 1936 over 1937. You have got a big pick-up here—you have got 16 million pounds pick-up here where you have not got as great a percentage of pick-up in cotton.

Q. In cotton, the index rose from 120 to about 150, did it not? It would be a 30-percent increase?

A. How much?

Q. Well, looking at the chart, you can see for yourself; from 120 to 145 to 150.

A. No, it did not pick up 30 percent; it only picked up approximately 1½ million bales between those two years, and that is no 30 percent by a long shot.

Q. All right, the record will speak for itself.

A. That is right.

Q. Now, Mr. Barringer, your exhibits 25, 26, 28, 29, 30, and 30–A are all clippings from trade papers indicative of the rise of the use of rayon, are they not? Increases in the use of rayon and paper?

A. Well, they pertain—some of them here may be some other synthetic outside of rayon and some of them here are, of course, related to pulpwood.

Q. And you cite them to indicate the increasing threat to cotton from paper and synthetic use of yarns, is that correct?

A. That is true.

Q. I gather from the fact that some of these clippings are from the Daily News Record that occasionally at

least you read the Daily News Record, is that correct?

A. Yes, sir.

Q. Did you ever see any items in the Daily News Record of the wails from men's and women's garment manufacturers about the decline in the use of silk and rayon in men's clothes and women's clothes and the growing use of cotton dresses and slack combination?

A. I was not looking for any of those, I was looking for ours.

Q. You did not answer my question.

A. Most of those——

Q. (Interposing.) If you and I went through the Daily News Record, don't you think that we could match clipping for clipping, in the clippings about the increased use of rayon and clippings about the decreased use of rayon and silk dresses and woolen pants and complaints about the growing use of cotton substitutes in those fields?

A. Well, I will tell you, I would like to see some of those clippings.

Q. Look at them some time; they will interest you.

A. I have just not run into it where I have read that the rayon is claiming that they are losing a bunch of business over a period of years to the other synthetic fibers. I have not been able to discover that. It would sure be enlightening and encouraging if we could find something. I think in the fertilizer field here, I think we found out where we had a little bit of increase; that is why I put that in, because I was trying to put in something where you could find that it had expanded somewhat. That and the automobile field since 1921 has been most of our expansion.

Q. Now, Mr. Barringer, it is your position that a 32½-cent minimum wage for this industry will result in increasing the use of substitutes for cotton?

A. Yes, sir.

Q. Have you made any computations to determine what increase, if any, first let us say in the price of cotton bags will result from the imposition of a 32½-cent minimum wage for the cotton textile industry?

A. I made no computation on that, but I know that 1/16 of a cent per yard throws the prices of one competitive fiber against another—you figure it up and take so many paper bags and you take so many cotton bags, and the purchasing agent when you get into the industrial fields, those people figure on small savings that they can make on volume.

Q. But do you know whether a 32½-cent minimum wage here will result in more or less of a price increase on cotton bagging than 1/16 of a cent a yard?

A. It would amount to more than 1/16 of a cent a yard if you take in the complete wage increase, and we have had quite a mortality since we started on the higher wages.

Q. Have you made any calculation to determine the increase in the price per yard of cotton cloth for bagging which would result from a 32½-cent minimum wage for the cotton textile industry?

A. I might have it here——

Q. (Interposing). Just a minute. I asked you if you have made any such calculation?

A. I am trying to see. I have run through so many calculations that I am just trying to think what I calculated [examining papers].

Q. It is going to be a pretty long calculation if you are just starting to do it now?

A. I just want to run it for you. Now, what do you want to know?

Q. What I asked you was whether you have made any calculation to determine what increase in the price of cotton bagging would result from a 32½-cent minimum wage?

A. Over what?

Q. Over its present price.

A. Compared to the wages paid today?

Q. As I understood your argument, Mr. Barringer, it was that a 32½-cent wage order for the cotton textile industry would result in a price increase in cotton bagging which in turn would result in the increased use of fiber substitutes, is that correct?

A. Yes, that is correct.

Q. Now, I want to know from you whether you have made any calculation or computation of the price increase in the cost, or the price increase in the cotton bagging which will result from a 32½-cent minimum wage?

A. Yes, I have made a calculation.

Q. Will you explain what calculation you made and tell we what its result is?

A. All right. Take bagging which weighs 5 yards to the pound. The price structure may vary, but say that it is 6 cents a yard.

Q. The present price is 6 cents a yard?

A. Yes. You get 30 cents for the product. Just as a rough example, your wages are one-third of the cost of your product, and that gives you labor of 10 cents in 5 yards. All right, you divide your 5 yards into that, into 10 cents, and your labor cost goes into that twice.

Q. You mean it costs 2 cents a yard for labor?

A. No, you have got your wage increase which will amount to ——

Q. (Interposing.) Just a minute.

A. You have to add your wage increase onto that.

Q. Let me follow you step by step. What does your 2 cents stand for that you have given me here?

A. You have got to add the increase of your labor onto your 10 cents and then divide it by 5.

Q. All right.

A. In other words, if you are going to increase your labor—let me get my chart and I will figure out how much increase it is.

Q. What chart are you referring to?

A. I will give it to you in just one second.

Q. Mr. Barringer, I don't want to take the Administrator's time to make that calculation if you have not got it. All I initially asked you was whether you had made such a computation and it is obvious now that you have not made it, is it not?

A. Yes, I have made it on different constructions.

Q. But you have not made it on bags?

A. I will run one on bags.

Q. Just a minute. This is not the time now to do a lot of figuring. All I am asking you is whether you have any computation as to what the increase in the cost of cotton bagging will be from a 32½ cent minimum wage, and you can answer me that.

A. No, not on cotton bags.

Q. All right. Now, what is the cost per pound, if you know, of rayon yarn used for the construction of tire fabric?

A. I do not have those figures.

Q. What is the cost of cotton yarn used in the construction of tire fabric?

A. I do not have those figures.

Q. If you—you cannot tell me, I assume, how much if any, a 32½-cent minimum wage will narrow the spread between the cost of rayon yarn and the cost of cotton yarn to be used for tire fabrics. Is that correct?

A. I did not put in any figures on displacement. I said it was being used.

Q. Let me ask you this, then. In the absence of any calculation, does not your testimony come to this, that if a 32½-cent minimum wage for the cotton textile industry will increase the price of cotton fabrics to a

point which will encourage consumers of cotton fabrics to use substitutes, that then cotton fabrics will lose a portion of their present market, is that correct?

A. I did not get that. Will you let me have the stenographer repeat it, please?

Mr. ABT. The reporter will repeat the question to you.

(Question is repeated.)

The WITNESS. Partly so.

By Mr. ABT:

Q. Partly so. But you have no statistical information here today, now, when I am examining you, which will resolve that if, have you? Which will tell us, how much if any, the price of cotton goods will be increased through the application of a 32½ cent minimum wage?

A. Yes, sir; I have got it.

Q. What have you got?

A. I can give it to you for all of those for the various scales all right.

Q. You have something you want to tell me, but I don't know what it is.

A. I tell you the figures it would increase.

Q. What figures have you? Figures on what have you?

A. I have figures of the wage increases necessary to raise the hourly wages, the earnings of cotton textile employees in the southern States compared to August of 1938, and figured on a basis to accomplish a 32½ cent minimum.

Q. That is not the question I asked you, Mr. Barringer. We are talking here about prices.

A. All right.

Q. You told me that a 32½ cent minimum wage would increase prices to a point where consumers would use substitutes instead of cotton fabrics, is that correct?

A. Sure they are not going to——

Q. (Interposing.) Just a minute. What I would like to have you do, if you can, is to name one substitute which you state consumers will use in lieu of cotton because of the fact that a 32½-cent minimum wage has increased the price of that cotton fabric to a point which will lead consumers to use such substitutes, and to tell me how much the price of that cotton fabric will be increased and to show me how you got that result?

A. No, there are no figures available that I know of anywhere to show that. I think it would take a crystal gazer to even surmise just how much pounds would be eaten into on that. You have got to take it as a whole.

Mr. ABT. That is all.

The ADMINISTRATOR. Are there any other questions?

By Mr. PITTS:

Q. There is one exhibit that has been overlooked. I ask you to turn to Exhibit 31, your own, and I refer you to the column——

A. (Interposing.) That was put in the record, was it not?

Q. That is right. The column headed "Consumption United States," and ask you whether or not since 1935 there has not been a more or less constant increase in the consumption of cotton with the single exception of 1936–1937 which was an extremely large year.

A. If you want to take 5 years on that, yes. Well, you have got ups and downs.

Q. We start there with 5,241,000 bales.

A. That is right. Then you go up.

Q. You go up until 1937 which—by the way, was that an usual year for the consumption of cotton or not, do you know?

A. It was, insofar as the textile industry goes.

Q. Are there other industries that absorb cotton or consume cotton?

A. Other than what?

Q. Other than textile.

A. In that year, the mills consumed a lot of cotton. But the goods back in the warehouse, they were not shipped.

Q. This is a list of consumption by the textile industry.

A. By the mill. It does not necessarily mean though that the textile fabrics themselves were shipped out.

Q. No; this is confined to consumption of cotton by textile mills, is that not true?

A. That is right.

Q. In the early part of your direct testimony, I believe you undertook to show that the consumption of cotton was suffering to a great extent by the inroads of substitute products, did you not?

A. I am attempting to show that cotton has not had the expansion that it seems to me that it is entitled to have. We have a contraction of the per capita consumption, and there is bound to be some explanation for it.

Q. In that connection, let me read to you bulletin 663, page 22, and ask your comments on this paragraph:

> After all, while we speak of a stabilized demand for cotton goods, no evidence is yet available that it is subject to a substantially declining demand. Cotton consumption for the 3 years August 1935 to July 1938 shows almost exactly as large as in the 3 years August 1926 to July 1929, which had the largest consumption on record for three consecutive years. The year 1936 to 1937, with 7,950,000 bales consumed, was the largest single year on record.

And your own figures bear that out, I believe, do they not, in Exhibit 31? In the face of that, can you still

state that cotton is suffering a decline by reason of substitute products?

A. You turn to, I believe it is page 18 of that same——

Q. (Interposing.) If you are referring to the per capita consumption.

A. That is right.

Q. I will make the same statement that Mr. Abt made, but my own question was a different question.

A. I say that the figures there speak for themselves on that.

Mr. PITTS. That is all.

By Mr. TAYLOR:

Q. Mr. Barringer, will you turn again to your Exhibit 3. Referring to those top lines there, Mr. Barringer, Mr. Abt, I believe, called attention to the closeness with which those two lines parallel each other.

A. That is right.

Q. Does either of those lines include paper?

A. No, sir.

Q. If either of those lines did include paper, do you think that might make some difference in the possibility of some spread between them?

A. It would make a material difference. When you turn over to paper bags, it shows that in 1935 that there was a poundage of 1,133,010,000 pounds of paper used, which was at that time $75,159,648. In 1937 that figure was $97,483,720. There is unquestionably paper on some of the consumer's dollar, and you might figure on that particular operation itself that it was nearly 10 percent of the entire manufacturing business of the textile industry.

Q. Now, Mr. Barringer, I believe Mr. Abt concluded that if there had been any substantial displacement of

cotton by other fibers from 1920 to 1938, that those lines would have diverged or spead out from each other more than they have.

A. Yes, sir.

Q. I believe that your answer to that was that as a matter of fact that since 1920 to 1938 that there is some spread which would indicate on the basis of Mr. Abt's assumption, some displacement.

A. Yes, sir.

Q. Now, looking at the top line there, Mr. Barringer, what amounts are involved in pounds?

A. Do you want to take the total consumption? 1938 seems to be the peak there with a total fiber consumption of 4,407,000 pounds.

Q. Just turn to your exhibit 2. The bottom figure in the column headed "Rayon," what do you find there?

A. For 1938, are you talking about?

Q. Yes.

A. 327,100,000 pounds of rayon.

Q. Compared with the previous figure that you just mentioned, which was in the case of all fibers——

A. (Interposing.) What year?

Q. 1938 was the high figure.

A. The high of all fibers was in 1937. Comparing with that year, we had a consumption of 4,407,400,000 pounds.

Q. Would you say, therefore, that the significance of the comparison is not the total amount of rayon produced and consumed although that has increased from 8.7 million pounds in 1920 to 327 million pounds in 1938, but the rapidity of the gain and the fact that it is competing entirely or almost entirely with cotton?

A. That is correct, and worse than that if you go behind the bales to the corporations and see the amount of

money that is back of rayon and that particular industry, and the decline that has taken place in rayon prices by reason of their being able to reduce the unit cost, and it makes you wiggle around on your seat if you are in the cotton business.

Q. Now, turn to that exhibit 2 again then please, Mr. Barringer, under the heading in the column of "Cotton percentages," and opposite 1937, what figure do you find?

A. 83 percent.

Q. And what percentage do you find in the same column for the year 1938?

A. For the year 1938, 80.9 percent.

Q. Could you make a quick computation and tell us just what that means there, Mr. Barringer?

A. In the way of pounds?

Q. No; in the way of percentages. Subtract 80.9 from 83.

A. That gives you 2.1 percent.

Q. Now, Mr. Barringer, go out to the percentage column under "Rayon," and what is the last figure that you find there?

A. On rayon?

Q. Yes.

A. The percentage figure there in 1938?

Q. Yes.

A. 9.1 percent.

Q. And what figure do you find immediately above that for 1937?

A. 7.0 percent.

Q. And subtracting 7.0 percent from 9.1 percent, what do you get?

A. 2.1 percent.

Q. Mr. Barringer, do you see any connection between those two results that you have just arrived at there

where cotton lost 2.1 percent and rayon gained 2.1 percent in the same period?

A. One is going forward and the other one is being detained.

Q. Which one is going forward?

A. Rayon is going forward and cotton is declining.

Q. Now, Mr. Barringer, still on Exhibit No. 2, looking at the entire column, of the percentages under cotton.

A. All right.

Q. What is the top figure you find under 1920?

A. 88.9.

Q. And what is the bottom figure that you find under 1938?

A. 80.9.

Q. And what does that indicate over that period from 1920 to 1938?

A. It indicates a loss there or a decline of 10 percent.

Q. It is 8 percent, isn't it?

A. I mean 8 percent; I beg your pardon.

Q. Now, go over to the same column under rayon, and what is the figure that you find for 1920 under the percentage column?

A. 0.3.

Q. And what is the figure that you find at the bottom of the column opposite 1938?

A. 9.1.

Q. What does that indicate?

A. That indicates a substantial increase for rayon versus a substantial decrease for cotton.

Q. Could you make that computation right quickly in the case of rayon?

A. In the increases?

Q. Yes; subtract 0.3 from 9.1.

A. 8.8.

Q. So that in the period covered by your chart here or your table from 1920 to 1938, there has been an 8 percent loss in cotton and an 8.8 percent gain in rayon; is that correct?

A. That is true.

Q. I believe that Mr. Abt asked you whether there would be or whether on the basis of any computation that you had that you could say that there would be an increase in the price of cotton bags in case the 32½ cent minimum should be approved. I believe you were here two or three weeks ago, Mr. Barringer, when certain testimony was adduced as to the possibility of certain manipulations in the manufacture of apparel which manipulations might be made to compensate for any increase in the prices that might result from this minimum. Did you happen to be here the day the manufacturer from New York exhibited the zipper and the medallion?

A. Yes, sir.

Q. In the case of cotton bags, were such manipulations possible? In other words, could the zipper be shortened or a medallion be diminished or some other manipulation be resorted to that would take up the increase in the cost?

A. No. If there is, I don't know of it. The only manipulation that could take place would be the improvement in the machinery somewhere, so as to reduce your labor cost and cut down on your per unit cost.

Mr. TAYLOR. I think that is all.

The ADMINISTRATOR. That is all.

Now, have you any other witness?

Mr. TAYLOR. No, Mr. Administrator. I wish to make one or two statements.

The ADMINISTRATOR. There is one other gentleman to go on.

Mr. TAYLOR. I believe he represents a small group, but I will be glad to put him on and ask him questions.

The ADMINISTRATOR. I do not want anybody to appear without an opportunity to cross-examine.

Mr. TAYLOR. I do not ask to cross-examine.

The ADMINISTRATOR. Do you want to make your statement now or at the end of all of the testimony?

Mr. TAYLOR. I think that I probably would rather make it now, because I may have to be absent from these hearings.

The ADMINISTRATOR. You understand that there is to be another witness?

Mr. TAYLOR. Yes, sir.

(Discussion off the record.)